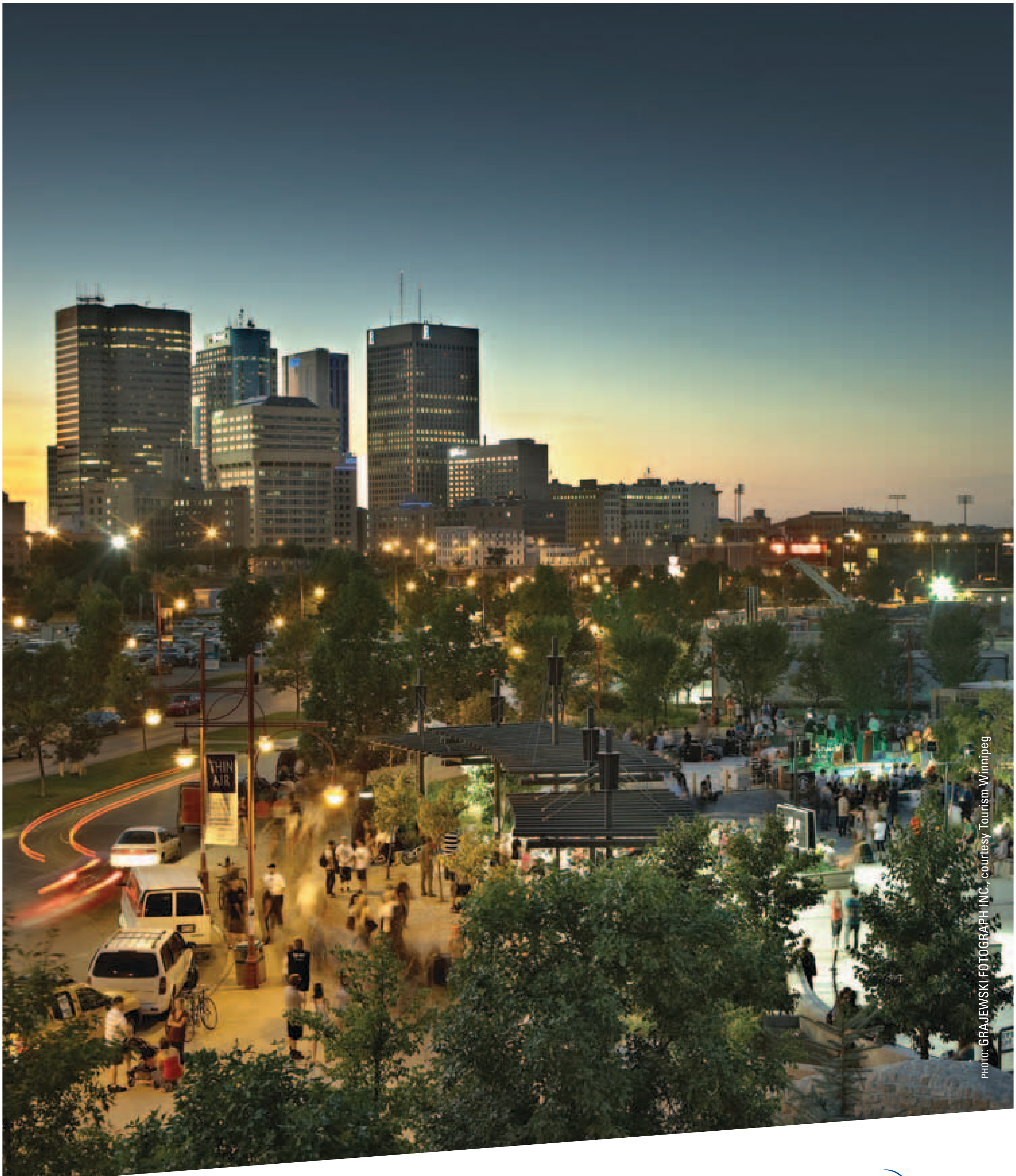

Detailed Financial Statements

Companion to 2011 Annual Financial Report

2011

Winnipeg

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

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Consolidated Financial Statements 2011

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 (the "City") should be read in conjunction with the audited consolidated financial statements (the "Statements") and their accompanying notes and schedules. The Statements, as well as the accompanying materials, 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 entities that are controlled by the City, as well as the City's investment in government businesses. The following is a brief description of the major funds, entities and investments included in the Statements.

Funds, Entities, and Investment in Government Businesses

Funds

A fund is a grouping of accounts that is used to report on resources that have been segregated for specific activities or objectives. The City, like other local governments, establishes these funds to achieve and demonstrate compliance with financial requirements.

The General Revenue Fund reports on tax-supported operations, which include services provided by the City to citizens such 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, 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, each accounting for its own operations and capital program.

There are four Special Operating Agency ("SOA") Funds operating within the City's organization. Animal Services (established in 2000), Winnipeg Golf Services (2002), Fleet Management (2003) and Winnipeg Parking Authority (2005) deliver services as special units of the City.

The 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 the services remain within the government but require greater flexibility 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 several Reserve Funds, which can be categorized into three types. Capital Reserves finance current and anticipated future capital projects, thereby reducing or eliminating the need to issue debt. Special Purpose Reserves provide designated revenue to fund the Reserves' authorized costs. The Stabilization Reserve assists in the funding of major unexpected expenses, or revenue shortfalls reported in the General Revenue Fund.

Entities and Investment in Government Businesses

The civic corporations included in the Statements are the Assiniboine Park Conservancy Inc., Winnipeg Public Library Board, The Convention Centre Corporation, Economic Development Winnipeg Inc., Winnipeg Enterprises Corporation, 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 investment in government businesses.

Results of Operations

Actual Comparison

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2011, on a comparative basis. The Statements indicate the City increased its accumulated surplus during the year because annual revenues exceeded expenses.

During 2011, the City recorded consolidated revenues of $1.469 billion (2010 - $1.354 billion), which included government transfers and developer contributions-in-kind that related to the acquisition of tangible capital assets. Consolidated expenses totalled $1.273 billion (2010 - $1.185 billion). As a result, the City's accumulated surplus increased by $0.196 billion (2010 - $0.169 billion).

Consolidated Revenues
For the years ended December 31

(in thousands of dollars)	2011		2010		Variance
Taxation	$ 563,779	39%	$ 550,994	41%	$ 12,785
Sales of services and regulatory fees	460,452	31%	425,164	31%	35,288
Government transfers					
Operating	159,475	11%	144,910	11%	14,565
Capital	138,611	9%	106,976	8%	31,635
Investment, land sales and other revenues	88,718	6%	82,683	6%	6,035
Developer contributions-in-kind	58,575	4%	43,129	3%	15,446
	$1,469,610		$1,353,856		$ 115,754

Revenues improved in 2011 from 2010 by $115.8 million due to several factors. One of the major reasons for the improvement was government transfers related to the acquisition of tangible capital assets. In 2011, PPP Canada provided $22.2 million towards the Chief Peguis Trail Extension Project and the Province of Manitoba (the "Province") increased their funding by $17.7 million for road improvements. Meanwhile, the Public Transit Reserve Fund reported $8.5 million less revenue because program funding ended in 2010.

Operating government transfers rose in 2011 because of funding received from the Province for the reimbursement of spring flood costs, the sump pump and backwater valve program, the Main Street Project and 17 additional police officers.

Sales of services and regulatory fees rose due to an increase of various revenue sources as follows: $11.5 million in water and sewer sales as a result of both increased consumption and rates; $5.7 million as a consequence of the sale of sand bags to the Province for the flood; $4.0 million in transit fare revenue due to a 5% increase in the number of revenue-generating passengers and regular cash fares increasing by five cents; and $1.2 million in ambulance services due to increased rates and call volumes.

Consolidated Expenses For the years ended December 31 (in thousands of dollars)	2011		2010		Variance
Protection and community services	$ 388,089	30%	$ 390,421	33%	$ (2,332)
Utility operations	334,154	26%	301,637	25%	32,517
Public works	287,847	23%	264,543	22%	23,304
Property and development	103,436	8%	101,588	9%	1,848
Finance and administration	70,404	6%	66,405	6%	3,999
Civic corporations	47,257	4%	31,532	3%	15,725
General government	42,047	3%	28,512	2%	13,535
	$1,273,234		$1,184,638		$ 88,596

Consolidated expenses grew by $88.6 million or seven percent from the previous year. The protection and community services expense category includes the Police Service, Fire Paramedic Service, Community Services and Museums. The Police Service and Fire Paramedic Service departments reported additional salaries and employee benefits of $16.0 million over the previous year. Effective January 1, 2011, insect control services were transferred to the Public Works Department from the Community Services Department. This transfer impacted Community Services' expenses favourably by $5.3 million. The third major factor was the result of the consolidation of the Assiniboine Park Conservancy Inc. ("APC") effective January 1, 2011. While $11.0 million in grants were reported in this expense category in the 2010 Statements, with consolidation, APC's expenses are reported under civic corporations in 2011. As a result, protection and community services expenses decreased $2.3 million year-over-year.

Expenses for utility operations rose by $32.5 million, which can be mainly attributed to the Sewage Disposal System - $17.2 million and the Transit System - $9.8 million. The Sewage Disposal System experienced increased costs as a result of the sump pump and backwater valve program, studies for the future sewage treatment facilities' improvements and an increased amount of maintenance work performed on the City's sewer systems in 2011. The Transit System's salaries and benefits increased $1.7 million as a result of negotiated pay increases and expansion of services. Interest on debt climbed by $0.9 million because of $29.8 million borrowed for the Southwest Rapid Transit Corridor during 2011. In addition, increases were noted in fuel costs of $3.9 million, bus parts of $1.1 million and amortization of tangible capital assets of $2.6 million.

Public works incurred additional costs as a result of the spring flood and snow clearing activities.

As noted earlier, civic corporations' costs increased as a result of APC being consolidated in the City's Statements. General government expenses increased primarily from employee benefits such as workers' compensation.

Consolidated Expenses By Object For the years ended December 31 (in thousands of dollars)	2011		2010		Variance
Salaries and benefits	$ 664,221	52%	$ 623,232	53%	$ 40,989
Goods and services	357,008	28%	324,119	27%	32,889
Amortization	175,765	14%	165,857	14%	9,908
Interest	43,954	3%	46,233	4%	(2,279)
Other expenses	32,286	3%	25,197	2%	7,089
	$1,273,234		$1,184,638		$ 88,596

Salaries and benefit increases resulted primarily from a greater number of police officers added to the service and negotiated pay increases. Goods and services expense increased for various reasons including flood control and mitigation, fuel costs and capital asset maintenance.

Budget Comparison

The Statements include a consolidated budget, which provides for additional transparency and accountability.

Consolidated Revenues For the years ended December 31 (in thousands of dollars)	Budget 2011		Actual 2011		Variance
Taxation	$ 563,807	41%	$ 563,779	39%	$ (28)
Sales of services and regulatory fees	441,251	32%	460,452	31%	19,201
Government transfers					
Operating	148,529	11%	159,475	11%	10,946
Capital	116,736	8%	138,611	9%	21,875
Investment, land sales and other revenues	70,606	5%	88,718	6%	18,112
Developer contributions-in-kind	41,032	3%	58,575	4%	17,543
	$1,381,961		$1,469,610		$ 87,649

The 2011 revenue from the sales of services and regulatory fees is over budget mainly because of sand bags produced and sold to the Province as well as increased permit revenues due to robust construction activity.

The transfers from the senior levels of government were over budget primarily as a result of the early opening of the Chief Peguis Trail Extension providing for the government transfer from PPP Canada. As well, the City received additional operating government transfers for unanticipated flood costs.

The positive budget variance for investment, land sales and other revenues can be attributed to prospectively consolidating APC into the Statements and the contribution of $7.9 million in capital improvement funding to recreation facilities. These positive variances were partially offset by fewer land sales concluding than expected.

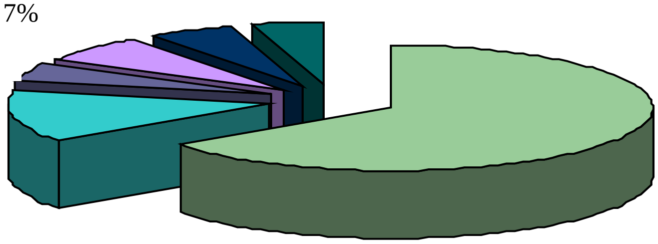
Developer contributions-in-kind exceeded budget primarily because of land developments and good weather resulting in a construction season exceeding expectations.

Consolidated Expenses For the years ended December 31 (in thousands of dollars)	Budget 2011		Actual 2011		Variance
Protection and community services	$ 395,642	31%	$ 388,089	30%	$ 7,553
Utility operations	329,604	26%	334,154	26%	(4,550)
Public works	272,373	21%	287,847	23%	(15,474)
Property and development	112,489	9%	103,436	8%	9,053
Finance and administration	73,646	6%	70,404	6%	3,242
Civic corporations	44,949	4%	47,257	4%	(2,308)
General government	36,955	3%	42,047	3%	(5,092)
	$1,265,658		$1,273,234		$ (7,576)

As previously indicated, the public works expense category, which includes the Public Works Department and the land drainage operations of the Water and Waste Department, was over budget mainly because of costs associated with the flood and snow clearing operations.

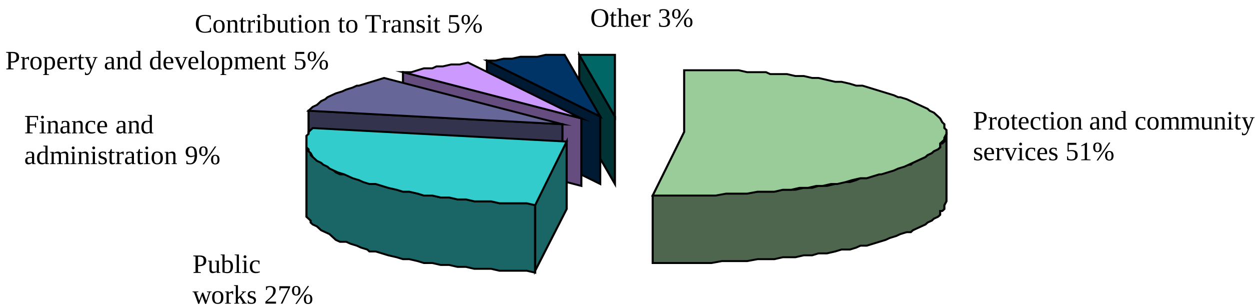
General Revenue Fund

The General Revenue Fund (commonly referred to as the tax-supported fund) represents approximately 38% of the City's combined expenses. The 2011 budget for tax-supported operations was adopted by City Council on March 22, 2011. This budget includes no increase in property taxes for the fourteenth consecutive year. As well, the budget includes an enhanced small business tax credit program of $3.5 million to eliminate the business tax for the smallest businesses (38% of all businesses). The budget focused on public safety and other strategic investments.



General Revenue Fund 2011 Actual Revenues

During 2011, the General Revenue Fund incurred revenues and expenses of $875.6 million (2010 - $813.1 million). Several unexpected events occurred that impacted the financial results of the tax-supported operations, including: increased permit revenues; a higher than expected transfer from the Municipal Accommodations Fund; additional funding from the Province of Manitoba for police officers and the spring flood; and higher investment and tax arrears interest revenues. This was offset by spring flood costs, lower traffic enforcement revenues and higher snow clearing costs. The end result was a transfer of $9.7 million to the General Purpose Reserve Fund, as approved by City Council on December 14, 2011.



General Revenue Fund 2011 Actual Expenses

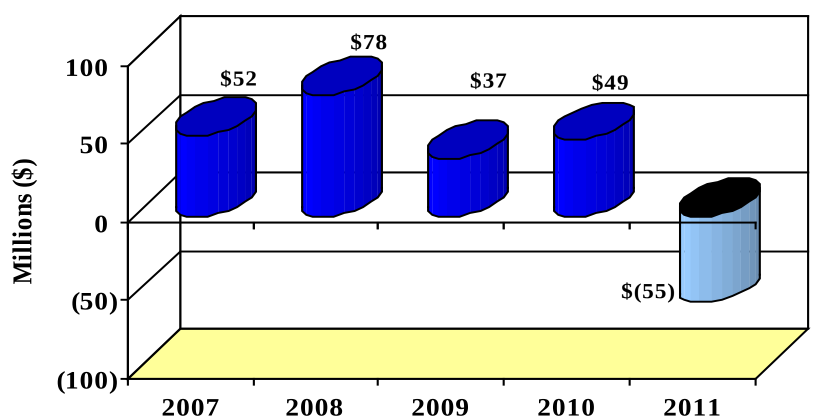
Financial Position

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2011, 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. The Consolidated Statement of Financial Position highlights four key indicators that describe the City's financial position at the financial statement date. These indicators are: cash resources; net financial position; non-financial assets; and accumulated surplus.

Cash and Cash Equivalents

The cash resources of the City are its cash and cash equivalents. Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. During 2011, the City's cash increased by $15.2 million. This increase resulted primarily from cash generated through operations and financing activities exceeding the cash invested in tangible capital assets.

Net Financial Position



Net Financial Position

Net financial position is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2011, the City was in a net financial liability position of $55.2 million (2010 - $48.6 million net financial asset position). The change in net financial position during the year resulted primarily from the assumption of debt for the investment in tangible capital assets.

Non-Financial Assets

Non-financial assets of the City are assets that are, by nature, normally for use in service provision and include purchased, constructed, contributed, developed or leased tangible capital assets, inventories of supplies, and prepaid expenses. Tangible capital assets are the most significant component of non-financial assets.

The acquisition of tangible capital assets is the result of a capital budget plan. The challenge in creating a capital budget is balancing infrastructure needs and protecting the environment while ensuring fiscal responsibility. On February 22, 2011, City Council adopted the 2011 annual capital budget and the 2012 to 2016 five-year forecast. The capital budget focuses on investment in priority streets and bridges, sewer systems, and community infrastructure and amenities. The six-year plan authorizes over $2.2 billion in City capital projects, with $370.1 million earmarked in 2011. Some of the projects included in the 2011 capital budget are: total street projects of $111.5 million, including $42.9 million - regional and local streets renewal, $34.2 million - Chief Peguis Trail Extension (Henderson Highway to Lagimodiere Blvd.), and $10.1 million - Osborne Street Bridge; $99.4 million - police headquarters; $18.4 million - transit buses; and $9.6 million - redevelopment of Assiniboine Park through APC.

Also included in the capital investment plan over the six-year period is anticipated funding of $243.3 million under the Federal Gas Tax Agreement, $150.0 million from provincial funding for road improvements, $98.9 million under the Manitoba/Winnipeg Infrastructure Program and $435.0 million of cash funding.

During 2011, the City spent $486.3 million on tangible capital assets (2010 - $333.9 million), which included $284.2 million for tax-supported projects (58%). Spending on tax-supported projects was primarily on roads and bridges.

In December 2011, the Chief Peguis Trail Extension opened one year ahead of schedule. Costs incurred as at December 31, 2011 of $97.5 million were capitalized for commissioned work under a service concession arrangement.

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, is amortized on a straight-line basis over the assets' estimated useful lives, ranging from 5 to 100 years.

Roads and underground networks contributed to the City totalled $58.6 million (2010 - $43.1 million), and were capitalized at their fair value at the time of receipt. Interest costs of $2.6 million (2010 - $3.5 million) have also been capitalized.

The City has identified comprehensive asset management as a key initiative to help address challenges associated with infrastructure maintenance and development and sets the stage to improve performance and organizational sustainability. Asset management can be defined as an integrated optimization process of managing infrastructure assets to minimize the total cost of owning them, while continuously delivering the service levels customers desire, at an acceptable level of risk. As well, the City has implemented processes that will result in better matching of approved capital budgets to the actual cash flows. Existing capital projects are regularly reviewed throughout the year to determine whether any surplus capital funds are available for other capital project purposes, or will impact future capital program budgets.

Tangible Capital Assets
As at December 31

(in thousands of dollars)	2011	2010
General		
Land	$ 202,897	$ 191,940
Buildings	318,846	303,015
Vehicles	178,251	172,305
Computer	40,754	46,987
Other	120,934	94,236
Infrastructure		
Plants and facilities	598,277	600,589
Roads	987,930	859,372
Underground and other networks	1,815,433	1,764,978
Bridges and other structures	384,570	304,247
	4,647,892	4,337,669
Assets under construction	99,903	110,326
	$4,747,795	$4,447,995

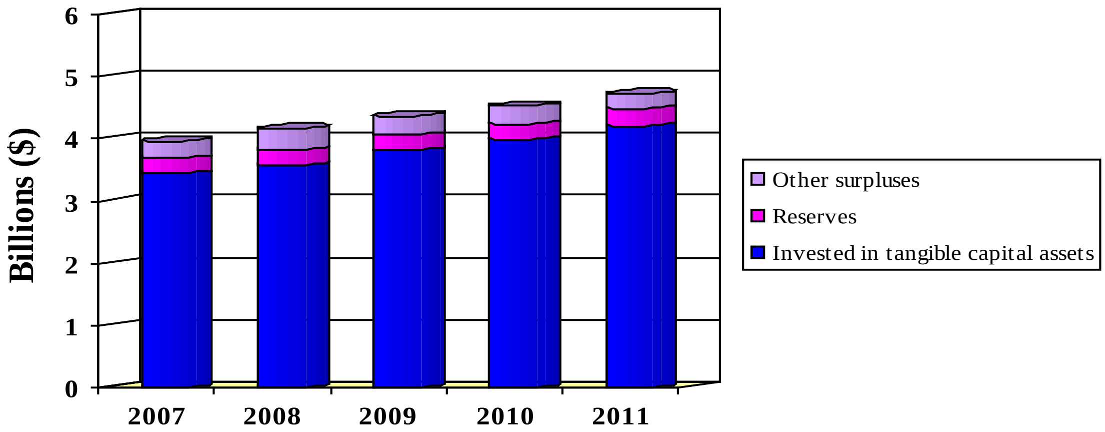
Tangible Capital Assets by Fund
As at December 31

(in thousands of dollars)	2011		2010	
General Capital Fund	$2,653,033	56%	$2,474,503	56%
Waterworks System Fund	860,975	18%	852,345	19%
Sewage Disposal System Fund	814,124	17%	797,013	18%
Transit System Fund	270,709	6%	216,871	5%
Other Funds and Entities	148,954	3%	107,263	2%
	$4,747,795		$4,447,995	

Accumulated Surplus

Another important financial indicator on the Consolidated Statement of Financial Position is the accumulated surplus position. The 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).

Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and legal liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2011 - 89%; 2010 - 88%). The investment in tangible capital assets represents the unamortized cost of the tangible capital asset which will be reported as an expense in future accounting periods, except for land. Land is non-depreciable property due to its infinite life. Investment in tangible capital assets is not readily accessible for use in funding obligations.



Accumulated Surplus

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

Accounts Receivable

The largest component of accounts receivable is trade accounts and other receivables at 53% (2010 - 52%). Approximately 42% of trade accounts and other receivables results from services rendered in the Waterworks System and Sewage Disposal System. Management has determined credit risk to be low on the outstanding receivables in these two Funds and has provided an allowance for doubtful accounts of $404 thousand (2010 - $418 thousand).

As at December 31, 2011, property, payments-in-lieu and business tax receivables, net of the estimated allowance for uncollectible amounts, represented 16% (2010 - 14%) of total receivables. Taxation revenue is 39% (2010 - 41%) of total consolidated revenues.

Taxes Receivable As at December 31 (in thousands of dollars)	2011	2010	2009	2008	2007
Taxes receivable	$ 34,747	$ 34,387	$ 30,036	$ 29,893	$ 38,038
Allowance for tax arrears	(2,629)	(3,080)	(3,784)	(3,657)	(6,228)
	$ 32,118	$ 31,307	$ 26,252	$ 26,236	$ 31,810

Investments

As at December 31 (in thousands of dollars)	2011	2010
Marketable securities		
Government of Canada	$ -	$ 6,494
Provincial	6,680	9,891
Municipal	61,475	36,775
	68,155	53,160
Manitoba Hydro long-term receivable	220,238	220,238
Other	4,102	2,918
	$ 292,495	$ 276,316
Market value of marketable securities	$ 72,927	$ 55,101

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 2010 and $16 million annually thereafter in perpetuity. The accounting value of the investment is based on the discounted sum of future cash flows that have been guaranteed by the Province. The long-term receivable has been fixed at the December 31, 2010 value, which coincides with the payments remaining at $16 million to perpetuity.

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 maintained by the City. City Council has approved an Investment Policy to provide the Public Service with a framework for managing its investment program. The Investment Policy provides guidance and parameters for developing a portfolio strategy; a performance measurement section, including benchmarks and objectives; an enhanced reporting framework; and additional categories of investments that can be made. Safety of principal remains the overriding consideration for investment decisions. Consideration is also given to risk/return, liquidity and the duration and convexity of the portfolio.

Debt

As at December 31 (in thousands of dollars)	2011	2010
Sinking fund debentures	$ 563,000	$ 513,000
Equity in sinking funds	(242,528)	(218,687)
	320,472	294,313
Serial and installment debt	78,332	99,004
Province of Manitoba and other loans	83,108	74,647
Capital lease obligations	26,488	28,438
Service concession arrangement obligation	50,000	-
	$ 558,400	$ 496,402

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 for which the City maintains two sinking funds. One of the sinking funds is managed by The Sinking Fund Trustees of the City of Winnipeg. The second fund was created as a result of revisions to The City of Winnipeg Charter and is managed by the City for sinking fund arrangements after December 31, 2002. The City pays interest on the principal to the investors and contributes a set percentage of the principal into the sinking funds. The sinking fund contribution percentage is set at the time of debt issuance and is estimated to be sufficient to retire the debentures as they mature.

These annual sinking fund payments are invested primarily in government and government-guaranteed bonds and 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.

During 2011, the City issued a $50.0 million sinking fund debenture. The debt carries a 4.3% interest rate and will mature on November 15, 2051.

Debt Retired Over The Next Five Years
As at December 31

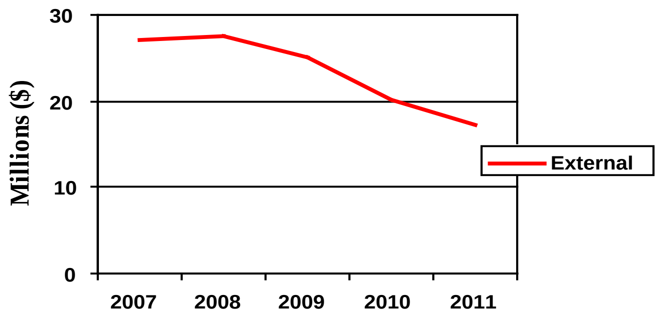
(in thousands of dollars)	2012	2013	2014	2015	2016	Thereafter
Sinking fund debentures	$ -	$ 90,000	$ 85,000	$ 88,000	$ -	$ 300,000
Other debt	49,106	34,917	21,097	14,074	14,319	104,415
	$ 49,106	$ 124,917	$ 106,097	$ 102,074	$ 14,319	$ 404,415

The City has also incurred serial and installment debt having varying maturities up to 2019, and carrying a weighted average interest rate of 4.8% (2010 - 4.8%). Annual interest and principal payments are made on the debt to the investors. In addition, the City has guaranteed the payment of principal and interest on capital loans totalling $6.9 million (2010 - $5.4 million) for several third parties. The City does not anticipate incurring future payments relating to these guarantees.

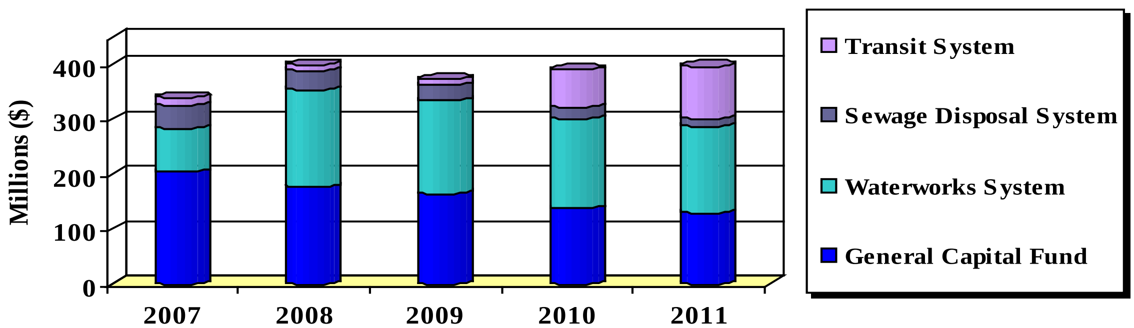
Included in the Province of Manitoba and other loans category is debt outstanding to the Canada Mortgage and Housing Corporation ("CMHC"). As at December 31, 2011, the amount outstanding to CMHC was $12.8 million, which is comprised of two debt issues. The first loan agreement - $9.7 million, has a maturity date of February 1, 2026 and an interest rate of 3.7%. This loan is for the replacement or building of new fire paramedic stations at four locations throughout the city. The second loan agreement - $3.1 million, has a maturity date of October 1, 2025, an interest rate of 3.4% and is for the replacement of water lines that have a history of freezing during the cold winter months and that are failing due to age and material.

Early in 2012, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was attributed to "healthy budgetary performances, robust liquidity levels, and a stable economy". However, S&P noted these strengths are offset somewhat by substantial infrastructure renewal requirements, and forecasted increase in debt levels resulting from Winnipeg's capital plan. 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 to obtain competitive and comparable borrowing terms to other cities.



General Capital Fund (Tax-Supported) Interest Expense



Net Sinking Fund Debentures, Serial and Installment Debt

In addition, the 2005 to 2012 capital budgets for the utilities and their 2013 to 2017 capital forecasts anticipate $645.2 million of future debt to fund projects mandated by the Province. During 2003, at the request of the Minister of Conservation, the Clean Environment Commission ("CEC") conducted public hearings to receive and review comments on the City's wastewater collection and treatment improvement program. The CEC made several recommendations to upgrade and improve the wastewater collection and treatment systems, which were subsequently supported by the Minister of Conservation. In response, Manitoba Conservation issued Environment Act Licences to the City for the North End, West End, and South End Water Pollution Control Centers. The Licences place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan. With this direction, a wastewater upgrade program is underway, which will address nutrient control, combined sewer overflow mitigation and biosolids management. Based on preliminary assessments, the upgrade program is estimated to cost between $1.2 to $1.8 billion depending on market factors and interpretation of compliance requirements.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve, (which had a balance of $45.5 million at December 31, 2011), the Canada Strategic Infrastructure Fund ("CSIF") and accumulated surplus.

The Disraeli Bridges and Chief Peguis Trail Extension are major infrastructure projects that are being constructed using a design, build, finance and maintain model ("DBFM"). DBF2 Limited Partnership was chosen as the preferred proponent to design, build, finance and maintain the Chief Peguis Trail Extension, which was opened for use December 2, 2011, approximately one year ahead of schedule. The service concession asset and debt have been recognized in the 2011 Statements.

Key features of the project include:

- A grade separation at Rothesay;
- Active transportation pathways including a separate new active transportation bridge at Gateway; and
- Significant investment in sound attenuation and landscaping.

A final Value for Money ("VFM") assessment of the project was completed by Deloitte. A VFM assessment is a comparison of the costs of delivering an infrastructure project under a service concession arrangement as opposed to a "traditional" procurement method such as design, bid, build. It is designed to quantify the best overall value solution to the taxpayer. Staff from the City, with in-depth knowledge concerning these types of projects, provide the input necessary to quantify the risks associated with the various project delivery methodologies. Throughout the process, there are checkpoints to quantify the VFM to ensure that the proposed arrangement remains beneficial to the City. The results of the final VFM demonstrated that the DBFM approach provided the City with estimated savings of approximately $31 million against the traditional form of infrastructure procurement, a 17.6% saving.

As mentioned earlier, one of the benefits of pursuing the DBFM approach was that PPP Canada could participate in the project. Considering the government transfer from that organization along with the other financing on the project, the effective interest rate on the project as a whole was 4.6%.

Plenary Roads Winnipeg GP ("PRW") was chosen as the preferred proponent to deliver a replacement facility to the Disraeli Bridges. Under a 30-year agreement, PRW is responsible to design, build, finance and maintain the new facility. Under the agreement, the City will make a one-time commissioning payment of $75.0 million when the new bridges are put into service. In addition, the City will make capital and maintenance payments. These payments will be fixed at $9.8 million annually for capital and $1.6 million annually with an annual adjustment based on the Consumer Price Index for maintenance. Since PRW bears the construction risk, the initial recognition of the service concession asset and liability will be when the asset is placed into use, which is anticipated to be in late 2012.

Key features of the project include:

- During construction, traffic will not be interrupted at peak travel times;
- The existing bridges will be replaced by new structures;
- The roadway will be realigned, and exits and entrances redesigned to allow for smoother traffic and pedestrian flow; and
- A separate new active transportation bridge will be built utilizing the existing facility's river bridge piers.

Some of the benefits of a DBFM delivery model for these two projects are the following:

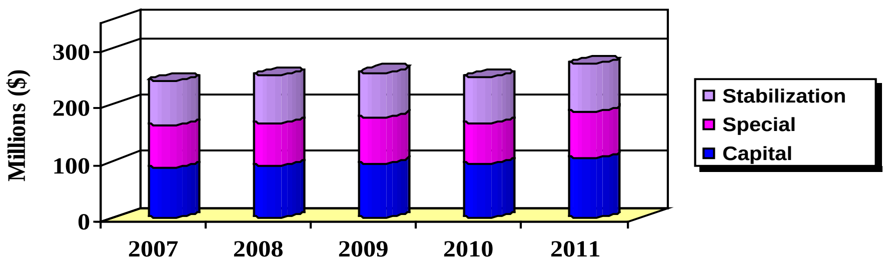
- The majority of the construction risk has been transferred to the private sector, protecting taxpayers from potential construction cost overruns;
- Maintenance responsibility (including rehabilitative maintenance) over the 30-year period of the agreement has been largely transferred to the private sector. PRW/DBF2 face significant deductions from their monthly payments if they do not meet their performance obligations;
- The land and facilities are owned by the City at all times and must be operated to standards set by the City;
- The facilities must be well maintained and returned to the City in good condition at the end of the 30-year concession. The project agreement allows the City to hold back significant amounts to ensure the hand-back requirements are met; and
- Both projects have been independently assessed and the DBFM method was determined to have significant VFM in comparison to the traditional design, bid, build delivery model.

Both projects have progressed with transparency and openness. Public consultations and open houses were held prior and subsequent to the procurement process. This resulted in the inclusion of a grade separation at Rothesay, addition of active transportation for both projects and avoidance of the closure of the Disraeli Bridges for an extended period of time. VFM assessments were prepared and City Council approved these projects proceed using the DBFM approach.

Reserves

Reserve balances have increased overall by $24.1 million (2010 - $7.7 million decrease) from the prior year. The City's Special Purpose Reserves, Capital Reserves and the Stabilization Reserve balances increased by $10.0 million, $10.4 million and $3.7 million, respectively.

On September 28, 2011, City Council approved that the Fiscal Stabilization and Mill Rate Stabilization Reserves be combined and renamed the Financial Stabilization Reserve and that some of the regulations of the new Reserve be amended from the former Reserves. One of the significant amendments was the target level, which was revised downward from 10% to 8%. This revision brought the target level in line with some other major Western Canadian Cities.



Reserves

The Stabilization Reserve's accumulated surplus is $17.5 million over its targeted level of 8% of the General Revenue Fund's adopted budget expenses.

Financial Indicators

An analysis of the Consolidated Statement of Financial Position and the Consolidated Statement of Operations and Accumulated Surplus provides an overview of the City's financial condition. The financial condition of the City is assessed by its ability to meet its existing financial obligations to creditors, employees and others in a timely manner, while continuing to meet its service obligations to the public. Financial condition is measured in terms of a City's sustainability, flexibility and vulnerability.

Indicators of Financial Condition As at December 31	**2011**	2010	2009	2008	2007
Sustainability indicators					
Assets-to-liabilities	**5.62**	6.00	6.05	5.88	5.89
Financial assets-to-liabilities	**0.95**	1.05	1.04	1.09	1.06
Flexibility indicators					
Public debt charges-to-revenues	**0.03**	0.03	0.04	0.04	0.04
Own-source revenues-to-taxable assessment	**0.02**	0.02	0.03	0.03	0.03
Vulnerability indicators					
Operating government transfers- to-operating revenues	**0.13**	0.12	0.12	0.11	0.11
Total government transfers- to-total revenues	**0.20**	0.19	0.19	0.17	0.15

Sustainability is the degree to which the City can maintain its existing services and meet its financial commitments without increasing the relative debt or tax burden on the economy. Sustainability indicators include the City's assets-to-liabilities ratio, which exceeds one in 2011 and the previous four years. This positive ratio indicates the City has not been financing its operations by issuing debt. In 2011, the financial assets-to-liabilities ratio dipped below one, indicating that some future financial resources maybe required to meet current obligations. At a current ratio of .95, the City can cover any shortfall were it to arise. The City's net financial position changed mainly because of total liabilities increasing year-over-year by $117.1 million while financial assets remained relatively constant. One of the major reasons for the increase in liabilities is new debt. Even though the equity in the sinking funds increased by $23.8 million, the City incurred a service concession arrangement obligation of $50.0 million for the Chief Peguis Trail Extension and $50.0 million mainly to fund the Southwest Rapid Transit Corridor project.

Continued sustainability was addressed in the updated Financial Management Plan (the "Plan") adopted by City Council on March 23, 2011. The Plan outlines the City's strategy for guiding financial decision-making, meeting long-term obligations and improving its economic position and financial stability. It sets forth guidelines upon which current and future financial performance can be measured. One of the eight targets included in the Plan is a manageable level of debt. Thus, a review of the City’s forecasted net debt and debt servicing costs, including the financial implications of service concession arrangements, was conducted which establishes a prudent level of debt to support the City’s capital infrastructure program, while maintaining an appropriate credit rating, long-term financial flexibility and sustainability.

Flexibility is the degree to which the City can issue more debt or increase taxes to meet its existing financial and service commitments. The City's public debt charges (interest expense)-to-revenues has remained constant over the past several years at 0.04 with a drop to 0.03 in 2010. This trend indicates the City has chosen to rely upon other sources of revenues such as transfers from senior levels of government instead of borrowing to meet its financial and service commitments and it also reflects the rate of interest on debt instruments has declined over the past several years. Another flexibility indicator is the ratio of own-source revenues-to-taxable assessment. This ratio has remained constant over the last few years, with a drop in 2010 due to the revaluation (general property reassessment) of property values. As well, this ratio reflects the City's policy of not raising property taxes for 14 years and indicates the City has not reduced its flexibility to access own-source revenues in the future.

Vulnerability is the degree to which the City is dependent on sources of funding outside its control or influence, or is exposed to risks that could impair its ability to meet financial and service commitments. The government transfers-to-total revenues ratio indicates the proportion of revenues that the City receives from the senior levels of government. Over the past several years, this ratio has risen marginally mainly because of funding for tangible capital assets. The ratio has also risen due to services provided by the City, where costs are reimbursed by the Province for programs such as flood control and ambulance services.

On June 22, 2011, City Council approved the Debt Strategy for the City. The following table provides the City Council-approved limits, the debt metrics as at December 31, 2011 and the forecasted peak based on the City Council-approved borrowing and 2012 Capital Budget and Five-Year Forecast:

Debt Metrics	Maximum	As At December 31, 2011	Forecasted Peak
Debt as a % of revenue			
City	85.0%	38.0%	75.1%
Tax-supported and other funds	60.0%	28.2%	55.3%
Self-supporting utilities	220.0%	62.4%	189.6%
Debt-servicing as a % of revenue			
City	11.0%	6.3%	8.3%
Tax-supported and other funds	10.0%	4.6%	7.7%
Self-supporting utilities	20.0%	9.6%	14.8%
Debt per capita			
City	$2,050	$807	$1,742
Tax-supported and other funds	$1,050	$537	$984
Self-supporting utilities	$950	$254	$864

Note: "City" includes "tax-supported and other funds", "Self-supporting utilities" and consolidated entities; "Tax-supported and other funds" includes Municipal Accommodations, Transit System and Fleet Management; and "Self-supporting utilities" includes Waterworks System, Sewage Disposal System and Solid Waste Disposal. "Forecasted Peak" does not account for the implications of consolidated accounting entries.

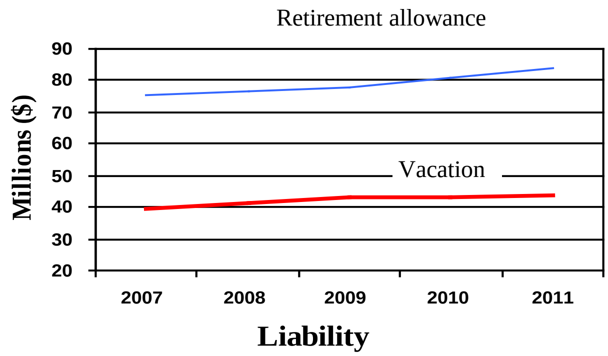
Accounting Policies

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, group life insurance, sick leave and severance pay benefit plans for qualified employees. The cost of these employee benefits is actuarially determined each year. These calculations use management's best estimate of a number of assumptions including the long-term rate of investment return on plan assets, inflation, salary escalation, the discount rate used to value liabilities and certain employee-related factors such as turnover, sick leave utilization, retirement age and mortality. 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, sick leave and severance pay benefits expense reported in future financial statements.

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. The Winnipeg Civic Employees' Pension Plan has similar characteristics to a defined contribution pension plan in that it is a multi-unit pension plan governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. This structure limits the City's exposure to future unfunded liabilities.



Until now, the Winnipeg Civic Employees' Benefits Program's special-purpose reserves have been used to subsidize the cost of benefits. Since the inception of the Program, it has been recognized that these reserves would gradually diminish over time as they were drawn down, unless they were able to be replenished through actuarial surpluses generated by "excess" investment returns. In part due to the 2008 market downturn, the Program's reserve position is currently insufficient to continue to subsidize the cost of benefits on a sustainable basis.

A multi-faceted approach was approved consisting of increased employer and employee contributions and benefit adjustments, while considering forecasted investment returns and reserve balances. Contribution rate increases of one-half per cent each year for four years were approved, commencing September 1, 2011 to an average of 10% of pensionable earnings for each the participating employers and contributing plan members. The increases in 2012 to 2014 are effective January 1st.

The future service cost of the Winnipeg Civic Employees' Benefits Program following September 1, 2011 is 20.3% of pensionable earnings.

The Winnipeg Police Pension Plan is a defined benefit plan to which the members contribute 8% of pensionable earnings, with the City being responsible for any unfunded liabilities. As at December 31, 2011, the market value of this pension fund's assets was $894.6 million (2010 - $922.2 million), which is $38.9 million less (2010 - $25.3 million greater) than the accrued pension obligation.

The cost of benefits accrued under this Plan is 22.1% of pensionable earnings. The Plan provides for any amount in excess of the City's matching the employees' contribution rate of 8% be funded by this Plan's Contribution Stabilization Reserve. As at December 31, 2011, this reserve has a balance of $19.4 million (2010 - $42.1 million). New funding regulations effective May 31, 2010 introduced a provision that such a contribution holiday can only be taken if the funding excess exceeds 5% of solvency liabilities. It is anticipated that this limit has been met as of May 2012 and, as such, the employer's contribution rate will increase to 14.1%.

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 of tangible capital assets is considered when the reduction in the estimated useful life is expected to be permanent.

Environmental Matters

The City's water distribution and treatment system is governed by a license issued under the Drinking Water Safety Act and the sewage treatment plants are governed by licenses issued under the Environment Act. As well, The City of Winnipeg operates one landfill, the Brady Road Landfill Site, and maintains and monitors several former landfill sites. The City estimates costs associated with future landfill closure and post-closure care requirements in the determination of its environmental liability. In estimating future landfill closure costs, management has estimated the total cost to cover, landscape and maintain the site based upon remaining life and capacity. The liability is measured on a discounted basis using the long-term cost of borrowing at year-end.

Business Risks

Labour Negotiations

For the year ended December 31, 2011, 52% (2010 - 53%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,039, the majority being represented by the eight unions and associations noted as follows:

Union/Association	Average Annual Headcount	Agreement Expiry Date
ATU	1,333	January 17, 2015
CUPE	4,667	December 27, 2014
MGEU	312	February 13, 2011
UFFW	914	December 26, 2011
WAPSO	628	October 11, 2011
WFPSOA	41	August 27, 2011
WPA	1,899	December 23, 2012
WPSOA	29	December 19, 2010

ATU - Amalgamated Transit Union Local 1505; CUPE - Canadian Union of Public Employees Local 500; MGEU - Manitoba Government and General Employees' Union The Paramedics of Winnipeg Local 911; 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.

Organizational Initiatives

Assiniboine Park

In September 2011, City Council approved a Lease and Funding Agreement between the City and APC. The agreement deals with the acquisition of certain assets, operations, management, restoration and redevelopment of Assiniboine Park (the "Park"). APC is a not-for-profit organization with a mandate to lead, manage, fundraise and redevelop the Park. With this agreement, the City determined it controls APC and began including them in the City's reporting entity. Critical terms of the agreement include:

- All Park lands, built and natural infrastructure are public assets which will continue to be owned by the City;
- The Park will be maintained as a public park with free entry to green space;
- APC shall be given the authority to redevelop the Park attractions, to develop new facilities and programs for public enjoyment and to pursue commercial activities appropriate to the Park to support sustainability of operations; and
- APC will undertake a capital fundraising campaign to raise funds for the Park restoration and redevelopment.

Sewage Treatment Plant Upgrade and Expansion Program

On April 20, 2011, the City entered into a multi-year agreement with VWNA Winnipeg Inc. ("Veolia"). In an effort to balance the needed sewage upgrades while protecting taxpayers, this agreement features a unique collaborative working relationship whereby Veolia provides expert advice to assist the City with its design, construction and operation of Winnipeg's sewage treatment plants and biosolids handling. The City owns and operates the plants. Veolia provides expertise and their earnings are based on the long-term performance of capital projects and operations.

Financial Accountability

The City's Audit Department plays a key role in providing independent assurance on the performance of civic services in support of open, transparent and accountable government. In 2011, the Audit Department issued performance audit reports on the operational performance of three Special Operating Agencies: Winnipeg Golf Services, Winnipeg Parking Authority and Animal Services. This was the first independent operational review of these Agencies since they began operations. The Audit Department brought forward recommendations to review the mandates of these Agencies to ensure that they remain relevant and recommendations to improve the financial and operational performance of these Agencies.

The Audit Department recommended to Audit Committee that a Fraud Hotline for the City be implemented. The implementation of a Fraud Hotline supports financial accountability, the integrity of the City of Winnipeg employees and the workplace, and serves as a deterrent to fraud. The Fraud Hotline also supports the protection of City property, resources and information and demonstrates the City’s commitment to sound and ethical operating practices. The Fraud Hotline for City employees began operating in April 2012.

Also in 2011, the Audit Department recommended to the Governance Committee of Council that changes be made to the Councillors' Representation Allowance Fund Policy Requirements. The proposed changes included revisions to the allowable expenditures and required that the details of Councillor Representation Allowance Fund expenses be available on the City of Winnipeg website. In 2011, the Governance Committee of Council approved a revised policy incorporating the recommendations.

Recent Accounting Pronouncements

In 2010 and 2011, PSAB issued several pronouncements which may impact the City's future financial statements. The pronouncements that the City is currently reviewing to determine their impact on the Statements are as follows:

- In February 2010, PSAB issued an accounting standard concerning Tax Revenue, Section PS 3510. The standard provides principles for the recognition, measurement and disclosure of tax revenue in government financial statements for fiscal years beginning on or after April 1, 2012.
- In March 2010, PSAB approved Section PS 3260, Liability for Contaminated Sites for fiscal years on or after April 1, 2014. The objective of this accounting standard addresses when these obligations meet the definition of a liability; recognition and measurement criteria; and any unique disclosure requirements.
- In March 2011, PSAB issued Section PS 3410, Government Transfers. The standard replaces the existing standard that was issued in 1990 when governments were applying the modified accrual basis of accounting. With the subsequent change to full accrual accounting, the government community identified a need for additional guidance and clarification to ensure consistent interpretation of Section PS 3410. The new standard applies to the fiscal period beginning January 1, 2013.
- In March 2011, PSAB approved two new standards, Section PS 3450, Financial Instruments and Section PS 2601, Foreign Currency Translation, and related financial statement presentation changes to Financial Statement Presentation, Sections PS 1200 and 1201. Both standards must be adopted in the same fiscal period. The new standards are effective for fiscal years beginning on or after April 1, 2015.

Looking Forward

Section 284(2) of The City of Winnipeg Charter requires City Council to adopt 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 13, 2011, City Council adopted the 2012 annual capital budget and the 2013 to 2017 five-year forecast. The six-year plan authorizes over $2.3 billion in City capital projects, with $393.2 million earmarked in 2012.

Some of the upcoming projects included in the 2012 capital budget are: total street projects of $149.9 million, including $77.0 million - Plessis Road twinning and grade separation at Canadian National Rail, $30.9 million - regional and local streets renewal, $11.5 million - Sturgeon Road Bridge (Sturgeon Creek), and $5.8 million - Osborne Street Bridge (Assiniboine River); $49.5 million - East Yard Complex development; $13.5 million - transit buses; and $9.6 million - redevelopment of Assiniboine Park through APC.

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 20, 2012, City Council approved the 2012 operating budget, which after 14 consecutive years of property tax freezes or reductions, provides for a 3.5% increase in property taxes. The budget plan also includes the implementation of an enhanced small business tax credit program worth $3.9 million to eliminate business taxes for the smallest businesses (4,933 or 40.5% of all businesses). It also provides for 26 additional police officers on the street, which completes City Council's 2011 commitment of 58 more officers.

General Revenue Fund - Budget For the years ended December 31 (in thousands of dollars)	2012	2011	2010	2009	2008
Revenues					
Property tax	$ 459,564	$ 435,934	$ 431,113	$ 428,692	$ 424,422
Government transfers	113,265	106,106	102,768	101,663	90,237
Frontage levy and other taxation	70,072	71,726	63,198	46,107	25,253
Sale of goods and services	62,761	58,146	76,142	73,772	66,810
Business tax	57,584	57,584	57,584	57,584	57,584
Transfer from other funds	52,309	38,203	40,631	32,940	62,361
Regulation fees	37,634	36,540	35,385	37,272	30,349
Interest	11,394	9,245	10,142	9,328	9,326
Other	35,377	33,840	723	1,372	1,280
	899,960	847,324	817,686	788,730	767,622
Expenses					
Police service	220,184	202,173	189,909	178,997	169,936
Public works	169,043	170,157	161,509	166,132	165,502
Fire paramedic service	154,750	143,013	137,648	129,452	123,613
Community services	112,793	100,479	103,479	98,869	97,150
Corporate	59,166	63,891	59,437	60,367	60,492
Water and waste	44,052	34,695	33,823	30,093	29,373
Planning, property and development	41,221	38,353	38,791	39,104	37,120
Corporate support services	31,312	30,899	33,079	30,541	27,053
Assessment and taxation	25,572	23,841	22,565	17,987	19,229
Street lighting	11,100	10,685	10,854	10,520	10,533
City Clerk's	10,897	10,316	11,913	12,475	12,133
Corporate finance	8,547	8,074	7,543	7,288	6,642
Other departments	11,323	10,748	7,136	6,905	8,846
	899,960	847,324	817,686	788,730	767,622
	$ -	$ -	$ -	$ -	$ -

Prior year figures have not been reclassified to conform with the 2012 figures.

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 Paul D. Olafson, CA - Corporate Controller, Corporate Finance Department, 4-510 Main Street, Winnipeg, Manitoba, R3B 1B9.

Michael Ruta, FCA
Chief Financial Officer


STEAKHOUSE
COCKTAIL BAR

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 public sector accounting standards.

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 City Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee. 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 Audit Committee is readily accessible to external and internal auditors.

KPMG 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 City Council and appears on the following pages. 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

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The City of Winnipeg ("the City"), which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The City of Winnipeg as at December 31, 2011, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

June 6, 2012

Winnipeg, Canada

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2011	2010
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	**$ 437,346**	$ 422,125
Accounts receivable (Note 4)	**197,927**	215,949
Land held for resale	**14,861**	15,150
Investments (Note 5)	**292,495**	276,316
Investment in government businesses (Note 6)	**23,783**	23,563
	966,412	953,103
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**186,463**	145,266
Deferred revenue (Note 8)	**64,825**	71,428
Debt (Note 9)	**558,400**	496,402
Other liabilities (Note 10)	**55,435**	45,531
Accrued employee benefits and other (Note 11)	**156,465**	145,873
	1,021,588	904,500
NET FINANCIAL (LIABILITIES) ASSETS	**(55,176)**	48,603
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	**4,747,795**	4,447,995
Inventories	**16,385**	16,043
Prepaid expenses and deferred charges	**6,086**	6,073
	4,770,266	4,470,111
ACCUMULATED SURPLUS (Note 14)	**$ 4,715,090**	$ 4,518,714

Commitments and contingencies (Notes 10, 15 and 16)

See accompanying notes and schedules to the consolidated financial statements

Approved on behalf of the Audit Committee:

MAYOR

CHAIRPERSON
STANDING POLICY COMMITTEE
ON FINANCE

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2011 (Unaudited)	**Actual 2011**	Actual 2010
REVENUES			
Taxation (Note 16)	**$ 563,807**	**$ 563,779**	$ 550,994
Sales of services and regulatory fees (Note 17)	**441,251**	**460,452**	425,164
Government transfers (Note 18)	**148,529**	**159,475**	144,910
Land sales and other revenue (Note 6)	**38,037**	**48,269**	47,914
Investment income	**32,569**	**40,449**	34,769
Total Revenues	**1,224,193**	**1,272,424**	1,203,751
EXPENSES			
Protection and community services	**395,642**	**388,089**	390,421
Utility operations	**329,604**	**334,154**	301,637
Public works	**272,373**	**287,847**	264,543
Property and development	**112,489**	**103,436**	101,588
Finance and administration	**73,646**	**70,404**	66,405
Civic corporations	**44,949**	**47,257**	31,532
General government	**36,955**	**42,047**	28,512
Total Expenses (Note 19)	**1,265,658**	**1,273,234**	1,184,638
(Deficiency) Excess Revenues Over Expenses Before Other	**(41,465)**	**(810)**	19,113
OTHER			
Government transfers related to capital (Note 18)	**116,736**	**138,611**	106,976
Developer contributions-in-kind related to capital (Note 13)	**41,032**	**58,575**	43,129
	157,768	**197,186**	150,105
Excess Revenues Over Expenses	**$ 116,303**	**196,376**	169,218
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**4,518,714**	4,349,496
ACCUMULATED SURPLUS, END OF YEAR		**$ 4,715,090**	$ 4,518,714

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)

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess Revenues Over Expenses	**$ 196,376**	$ 169,218
Non-cash charges to operations		
Amortization	**175,765**	165,857
Write-down of tangible capital assets	**5,779**	705
Other	**21,562**	(18,661)
	399,482	317,119
Net change in non-cash working capital balances related to operations	**52,467**	(27,635)
Cash provided by operating activities	**451,949**	289,484
CAPITAL		
Acquisition of tangible capital assets	**(486,320)**	(333,851)
Proceeds on disposal of tangible capital assets	**2,451**	28,178
Cash used in capital activities	**(483,869)**	(305,673)
FINANCING		
Increase in sinking fund investments	**(23,841)**	(19,662)
Debenture and serial debt retired	**(20,672)**	(19,931)
Sinking fund and serial debenture issued	**50,000**	60,000
Service concession arrangement	**50,000**	-
Other	**6,594**	(3,405)
Cash provided by financing activities	**62,081**	17,002
INVESTING		
(Increase) decrease of investments	**(14,940)**	20,167
Cash (used in) provided by investing activities	**(14,940)**	20,167
Increase in cash and cash equivalents	**15,221**	20,980
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**422,125**	401,145
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 437,346**	$ 422,125

See accompanying notes and schedules to the consolidated financial statements

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

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

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
EXCESS REVENUES OVER EXPENSES	**$ 116,303**	**$ 196,376**	$ 169,218
Amortization of tangible capital assets	**179,055**	**175,765**	165,857
Proceeds on disposal of tangible capital assets	**-**	**2,451**	28,178
Write-down of tangible capital assets	**-**	**5,779**	705
Loss (gain) on sale of tangible capital assets	**1,071**	**2,525**	(21,230)
Change in inventories, prepaid expenses and deferred charges	**(1,000)**	**(355)**	(877)
Acquisition of tangible capital assets	**(351,147)**	**(486,320)**	(333,851)
Other	**-**	**-**	3,700
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	**(55,718)**	**(103,779)**	11,700
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**48,603**	**48,603**	36,903
NET FINANCIAL (LIABILITIES) ASSETS, END OF YEAR	**$ (7,115)**	**$ (55,176)**	$ 48,603

See accompanying notes and schedules to the consolidated financial statements

1. *Status of The City of Winnipeg*

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

2. *Significant Accounting Policies*

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) Basis of consolidation

The consolidated financial statements include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon control 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:

* Assiniboine Park Conservancy Inc.
CentreVenture Development Corporation
Economic Development Winnipeg Inc.
The Convention Centre Corporation
Winnipeg Arts Council Inc.
Winnipeg Enterprises Corporation
Winnipeg Public Library Board

* Effective January 1, 2011

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) Employees' pension funds

The employees' pension funds of the City are administered on behalf of the pension plan participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (the "EBB") (Pension Fund) for the payment of pension benefits and accordingly are not included in the consolidated financial statements.

2. *Significant Accounting Policies (continued)*

iv) Group life insurance funds

The group life insurance funds of the City are administered by the EBB for the payment of life insurance and accordingly are not included in the consolidated financial statements.

b) Basis of accounting

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

c) 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 crown corporation bonds; provincial government bonds; City of Winnipeg municipal bonds; other municipal bonds; schedule 1 bank bonds, bankers' acceptances and bearer deposit notes; schedule 2 bankers' acceptances and bearer deposit notes; and asset-backed commercial paper. 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 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.

g) Assessment appeal costs

Property tax revenue is based on market assessments that are subject to appeal. A provision has been estimated for assessment appeals outstanding at December 31.

h) Solid waste landfills

The obligation to close and maintain solid waste landfill sites is based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expenses 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 acquisition and construction of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

k) Employee benefit plans

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other pensions and other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefit method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period.

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 (liabilities) 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 is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Vehicles	
Transit buses	18 years
Other vehicles	5 to 10 years
Computer hardware and software	5 to 10 years
Other	
Machinery and equipment	10 years
Land improvements	10 to 30 years

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

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.

a) Contributions of tangible capital assets

Developer-contributed tangible capital assets are recorded at their fair value at the date of receipt. The contribution is recorded as revenue.

b) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

c) Service concession arrangement

Service concession arrangements are long-term performance-based approaches for procuring public infrastructure, where the City contracts with a private sector partner who assumes a major share of the responsibility for the delivery of the infrastructure. The operator is compensated over the period of the arrangements. The arrangements are governed by a contract that sets out performance standards and mechanisms for adjusting prices. The contract is binding on the parties to the arrangement and obliges the operator to maintain the tangible capital asset on behalf of the City.

In the case of tangible capital assets, where the operator bears the construction risk, the timing of initial recognition of the service concession asset by the City will be when the tangible capital asset is available for productive use.

ii) Inventories

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

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 are not the result of a direct financial return.

Government transfers are recognized in the consolidated 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. *Significant Accounting Policies (continued)*

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, the useful life of tangible capital assets, assessment appeals, lawsuits and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

3. *Cash and Cash Equivalents*

	2011	2010
Cash	**$ 7,753**	$ 2,275
Cash equivalents	**429,593**	419,850
	$ 437,346	$ 422,125

The average effective interest rate for cash equivalents at December 31, 2011 is 1.3% (2010 - 1.3%).

Cash and cash equivalents exclude $189.5 million (2010 - $147.7 million) which has been received from various entities including EBB. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is $41.6 million (2010 - $34.0 million).

4. *Accounts Receivable*

	2011	2010
Property, payments-in-lieu and business taxes receivable	**$ 34,747**	$ 34,387
Allowance for property, payments-in-lieu and business tax arrears	**(2,629)**	(3,080)
	32,118	31,307
Trade accounts and other receivables	**105,768**	112,110
Province of Manitoba	**57,505**	68,140
Government of Canada	**10,294**	11,971
Allowance for doubtful accounts	**(7,758)**	(7,579)
	165,809	184,642
	$ 197,927	$ 215,949

5. *Investments*

	2011	2010
Marketable securities		
Government of Canada bonds and Federal guarantees	**$ -**	$ 6,494
Provincial bonds and bond coupons and provincial guarantees	**6,680**	9,891
Municipal bonds	**61,475**	36,775
	68,155	53,160
Manitoba Hydro long-term receivable	**220,238**	220,238
Other investments	**4,102**	2,918
	$ 292,495	$ 276,316

5. *Investments (continued)*

The aggregate market value of marketable securities at December 31, 2011 is $72.9 million (2010 - $55.1 million).

On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. The terms of the proposal included payments to the City of $25 million per annum commencing in 2002 and for the next four years thereafter; $20 million per annum for years six through nine; and $16 million per annum for years ten and continuing in perpetuity.

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City, discounted at the City's historical average long-term borrowing rate. The amount outstanding has been fixed at the December 31, 2010 unamortized balance, which coincides with the payments remaining at $16 million to perpetuity.

6. *Investment in Government Businesses*

a) North Portage Development Corporation

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

The condensed supplementary financial information of NPDC is as follows:

	2011	2010
Financial position		
Capital assets and investment in properties and infrastructure enhancements	**$ 76,008**	$ 77,494
Investments	**12,891**	13,669
Other assets	**3,099**	4,394
	$ 91,998	$ 95,557
Deferred contributions	**$ 17,044**	$ 18,996
Long-term debt	**12,076**	12,380
Current and other liabilities	**5,002**	6,256
	34,122	37,632
Net assets	**57,876**	57,925
	$ 91,998	$ 95,557

6. *Investment in Government Businesses (continued)*

	2011	2010
Results of operations		
Revenues	**$ 11,164**	$ 10,467
Expenditures	**10,082**	9,363
	1,082	1,104
Amortization	**(767)**	(944)
Other adjustments	**(506)**	(318)
Unrealized and realized gains	**142**	754
(Deficiency) excess of revenues over expenditures for the year	**$ (49)**	$ 596

b) Winnipeg Housing Rehabilitation Corporation

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

The condensed supplementary financial information of WHRC is as follows:

	2011	2010
Financial position		
Capital assets	**$ 28,284**	$ 29,506
Current and other assets	**6,347**	5,844
	$ 34,631	$ 35,350
Long-term debt	**$ 25,861**	$ 27,059
Current and other liabilities	**4,279**	4,036
	30,140	31,095
Replacement Reserves	**3,780**	3,655
WHRC Building and Acquisition Reserve	**993**	977
Net assets	**(282)**	(377)
	4,491	4,255
	$ 34,631	$ 35,350

	2011	2010
Results of operations		
Revenues	**$ 7,573**	$ 7,243
Expenditures	**7,477**	7,269
Excess (deficiency) of revenues over expenditures for the year	**96**	(26)
Change to Replacement Reserves during the year	**124**	83
Change to WHRC Building and Acquisition Reserve during the year	**16**	657
Internally restricted net assets	**-**	(615)
	$ 236	$ 99

6. Investment in Government Businesses (continued)

During the year, the City paid WHRC an operating grant of $200 thousand (2010 - $200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2010 - $2.0 million). As at March 31, 2011, WHRC has utilized $764 thousand of this line of credit.

Summary of investment in government businesses

	2011	2010
North Portage Development Corporation (1/3 share)	**$ 19,292**	$ 19,308
Winnipeg Housing Rehabilitation Corporation	**4,491**	4,255
	$ 23,783	$ 23,563

Summary of results of operations

	2011	2010
North Portage Development Corporation (1/3 share)	**$ (16)**	$ 198
Winnipeg Housing Rehabilitation Corporation	**236**	99
	$ 220	$ 297

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

	2011	2010
Accrued liabilities	**$ 86,721**	$ 73,442
Trade accounts payable	**86,292**	58,702
Accrued interest payable	**13,450**	13,122
	$ 186,463	$ 145,266

8. Deferred Revenue

	2011	2010
Federal gas tax transfer	**$ 39,049**	$ 26,770
Province of Manitoba	**14,765**	34,024
Other	**11,011**	10,634
	$ 64,825	$ 71,428

9. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt 2011	2010
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	**60,000**	60,000
2008-2036	July 17	5.200	VZ	72/2006B	**100,000**	100,000
2010-2041	June 3	5.150	WB	183/2008	**60,000**	60,000
2011-2051	Nov. 15	4.300	WC	72/06, 183/08 and 150/09	**50,000**	-
					563,000	513,000
Equity in The Sinking Funds (Notes 9a and b)					**(242,528)**	(218,687)
Net sinking fund debentures outstanding					**320,472**	294,313

Other debt outstanding

	2011	2010
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.78% (2010 - 4.82%)	**78,332**	99,004
The Province and bank loans with varying maturities up to 2026 and a weighted average interest rate of 3.46% (2010 - 3.69%)	**83,108**	74,647
Capital lease obligations (Note 9c)	**26,488**	28,438
Service concession arrangement obligation (Notes 9d and 15d)	**50,000**	-
	$ 558,400	$ 496,402

Debt segregated by fund/organization:

	2011	2010
General Capital Fund	**$ 215,302**	$ 166,074
Waterworks System	**161,142**	167,462
Transit System	**94,551**	67,744
Special operating agencies and other	**72,635**	70,342
Sewage Disposal System	**14,508**	24,454
Solid Waste Disposal	**262**	326
	$ 558,400	$ 496,402

9. *Debt (continued)*

Debt to be retired over the next five years:

	2012	2013	2014	2015	2016	2017+
Sinking fund debentures	$ -	$ 90,000	$ 85,000	$ 88,000	$ -	$ 300,000
Other debt	49,106	34,917	21,097	14,074	14,319	104,415
	$ 49,106	$ 124,917	$ 106,097	$ 102,074	$ 14,319	$ 404,415

a) As at December 31, 2011, sinking fund assets have a market value of $254.0 million (2010 - $229.6 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 $27.3 million (2010 - $38.8 million) and a market value of $28.9 million (2010 - $39.4 million).

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees of The City of Winnipeg on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed in a separate fund 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.

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

	Capital Leases
2012	$ 3,018
2013	3,095
2014	3,098
2015	2,336
2016	2,303
Thereafter	36,834
Total future minimum lease payments	50,684
Amount representing interest at a weighted average rate of 8.10%	(24,196)
Capital lease obligations	$ 26,488

d) The City has entered into a fixed-price contract with DBF2 Limited Partnership ("DBF2") to design, build, finance and maintain the Chief Peguis Trail Extension. The contract was executed in September 2010 and terminates in January 2042. The Chief Peguis Trail Extension was commissioned for use in 2011.

The $108.5 million project will have been financed through a grant of $23.9 million from PPP Canada, a provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.9 million. As at December 31, 2011, $97.5 million was capitalized for commissioned works under this service concession arrangement (Note 13). All financing has been placed prior to December 31, 2011 except for $1.7 million from PPP Canada which will be claimed with capital expenses to be incurred in 2012. Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

9. Debt (continued)

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the full $108.5 million project is 4.6%. Specifically, the sinking fund debt and service concession arrangement obligation to DBF2 bear a combined weighted average interest rate of 7.2%.

The City will also make DBF2 a monthly performance-based maintenance payment as disclosed in Note 15d.

e) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2011 is $44.0 million (2010 - $46.2 million) and cash paid for interest during the year is $43.6 million (2010 - $46.4 million).

10. Other Liabilities

		2011		2010
Environmental liabilities	**$**	**19,200**	$	19,500
Developer deposits		**8,228**		8,773
Expropriation and other		**28,007**		17,258
	$	**55,435**	$	45,531

Included in environmental liabilities is $18.3 million (2010 - $18.1 million) for the estimated total landfill closure and post-closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's average long-term borrowing rate of 6.0% (2010 - 6.0%).

Landfill closure and post-closure care requirements have been defined in accordance with the Environment Act and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 100-year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated capacity of the City's one remaining landfill, the Brady Road Landfill Site, is 94% of its total capacity and its remaining life is approximately 94 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 Road 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, 2011, the reserve had a balance of $4.3 million (2010 - $3.7 million).

11. *Accrued Employee Benefits and Other*

	2011	2010
Retirement allowance - accrued obligation	**$ 96,497**	$ 89,975
Unamortized net actuarial loss	**(12,646)**	(9,146)
Retirement allowance - accrued liability	**83,851**	80,829
Vacation	**44,216**	42,986
Workers' compensation	**14,675**	8,932
Compensated absences	**7,990**	7,793
Other	**5,733**	5,333
	$ 156,465	$ 145,873

Under the retirement allowance programs, 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 13.0 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 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, 2011.

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

	2011	2010
Retirement allowance - accrued liability		
Balance, beginning of year	**$ 80,829**	$ 77,946
Current service cost	**5,068**	4,464
Interest cost	**3,422**	3,705
Amortization of net actuarial loss	**1,372**	1,128
Benefit payments	**(6,840)**	(6,414)
Balance, end of year	**$ 83,851**	$ 80,829

11. *Accrued Employee Benefits and Other (continued)*

Retirement allowance expense consists of the following:

		2011		2010
Current service cost	**$**	**5,068**	$	4,464
Interest cost		**3,422**		3,705
Amortization of net actuarial loss		**1,372**		1,128
	$	**9,862**	$	9,297

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

	2011	2010
Discount rate on liability	**3.60%**	3.90%
General increases in pay	**3.50%**	3.00%

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

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

12. *Pension Costs and Obligations*

a) Winnipeg Civic Employees' Benefits Pension Plan

The Winnipeg Civic Employees' Benefits Pension Plan is accounted for similar to a defined contribution pension plan because it is a multi-unit pension plan governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. The Plan provides pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers.

During 2011, members contributed 7.6% of their Canada Pension Plan earnings and 9.4% of pensionable earnings in excess of Canada Pension Plan earnings up to September 1, 2011 and 8.05% of their Canada Pension Plan earnings and 10.0% of pensionable earning earnings in excess of Canada Pension Plan earnings following September 1, 2011. Member's contribution rates are scheduled to increase to an average of 9.0% of pensionable earnings in 2012, 9.5% of pensionable earnings in 2013 and 10.0% of pensionable earnings in 2014 and future years. The City and participating employers are required to make matching contributions.

An actuarial valuation of the plan was prepared as at December 31, 2010, which indicated an excess of actuarial value of program assets over actuarial liabilities of $290.3 million. The Pension Trust Agreement specifies how the excess of actuarial surpluses can be used but does not attribute the excess of actuarial surpluses to individual employers. However, a portion of the excess of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions. In the event of unfavourable financial experience, additional amounts may be transferred from the City Account to cover a funding deficiency.

The balance of the City Account at December 31, 2011 was $70.2 million (2010 - $82.1 million).

Total contributions by the City to the program in 2011 were $22.7 million (2010 - $20.4 million), which were expensed as incurred.

12. Pension Costs and Obligations (continued)

b) Winnipeg Police Pension Plan

The Winnipeg Police Pension Plan is a contributory defined benefit plan, providing pension benefits to police officers. Members are required to make contributions at the rate of 8% of pensionable earnings. The City is required to finance the cost of the plan's benefits other than cost-of-living adjustments and to contribute 1% of pensionable earnings in respect of cost-of-living adjustments. A contribution stabilization reserve has been established to maintain the City's contribution rate at 8% of pensionable earnings, when permitted under provincial pension legislation. The Plan incorporates a risk-sharing arrangement under which actuarial surpluses are first allocated to maintain cost-of-living adjustments to pensions at 75% of the inflation rate and maintain the contribution stabilization reserve and thereafter are shared equally between the City and Plan members. Funding deficiencies are resolved through reductions in the contribution stabilization reserve and the rate of cost-of-living adjustments to pensions.

An actuarial valuation of the Plan was prepared as of December 31, 2010. The valuation revealed a funding deficiency, which, in accordance with the terms of the Plan, was resolved through a reduction in the contribution stabilization reserve and by reducing the rate of cost-of-living adjustments to pensions from 75% to 71.2% of the inflation rate.

The results of the December 31, 2010 actuarial valuation of the Plan were extrapolated to December 31, 2011. The principal long-term assumptions on which the valuation was based were: discount rate of 6.25% per year (2010 - 6.25%); inflation rate of 2.00% per year (2010 - 2.00%); and general pay increases of 3.50% per year (2010 - 3.50%). The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the Plan's assets, accrued pension obligation and pension expenses are as follows:

	2011	2010
Plan assets:		
Fair value, beginning of year	**$ 922,233**	$ 854,735
Employer contributions	**9,758**	9,454
Employee contributions and transfers	**9,870**	9,754
Benefits and expenses paid	**(39,904)**	(38,252)
Net investment income	**(7,338)**	86,542
Fair value, end of year	**894,619**	922,233
Actuarial adjustment	**58,297**	16,732
Actuarial value, end of year	**$ 952,916**	$ 938,965
Accrued pension obligation:		
Beginning of year	**$ 896,897**	$ 853,562
Current period benefit cost	**28,748**	28,357
Benefits and expenses paid	**(39,904)**	(38,252)
Interest on accrued pension obligation	**55,403**	53,553
Actuarial gain	**(7,657)**	(323)
End of year	**$ 933,487**	$ 896,897
Funded status	**$ 19,429**	$ 42,068
Less: contribution stabilization reserve	**(19,429)**	(42,068)
Actuarial surplus	**$ -**	$ -

12. Pension Costs and Obligations (continued)

		2011		2010
Expenses related to pensions:				
Current period benefit cost	**$**	**28,748**	$	28,357
Amortization of actuarial gains		**(6,471)**		(6,267)
Less: employee contributions and transfers		**(9,870)**		(9,754)
Pension benefit expense		**12,407**		12,336
Interest on accrued benefit obligation		**55,403**		53,553
Expected return on plan assets		**(58,052)**		(56,435)
Pension interest expense		**(2,649)**		(2,882)
Total expenses related to pensions	**$**	**9,758**	$	9,454

The actuarial value of the Plan's assets is determined by averaging over five years differences between the pension fund's net investment income and expected investment income based on the expected rate of return.

Total contributions made by the City to the Plan in 2011 were $9.8 million (2010 - $9.5 million). Total employee contributions to the Plan in 2011 were $9.9 million (2010 - $9.6 million). Benefits paid from the Plan in 2011 were $39.1 million (2010 - $37.5 million).

The expected rate of return on Plan assets in 2011 was 6.25% (2010 - 6.25%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2011 was -0.80% (2010 - 10.24%).

As the City's contribution to the Plan each year are equal to its pension expense, no accrued pension asset or liability is reflected in the Consolidated Statement of Financial Position.

c) Councillors' Pension Plan

i) Pension Plan Established Under By-Law Number 3553/83

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2011, the City paid out $0.4 million (2010 - $0.3 million). An actuarial determined pension obligation of $3.9 million (2010 - $3.9 million) has been reflected in the Consolidated Statement of Financial Position.

ii) Pension Plan Established Under By-Law Number 7869/01

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of City Council for The City of Winnipeg which is consistent with the Civic Employees' Pension Plan. An accrued pension obligation has been reflected in the Consolidated Statement of Financial Position.

12. *Pension Costs and Obligations (continued)*

d) Group Life Insurance Plan

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

An actuarial valuation of the plan was prepared as of December 31, 2010 and the results were extrapolated to December 31, 2011. The principal long-term assumptions on which the valuation was based were: discount rate of 3.90% per year (2010 - 4.65%); and general pay increases of 3.50% per year (2010 - 3.75%). The accrued group life insurance obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the plan is as follows:

	2011	2010
Group life insurance plan assets, at actuarial value	**$ 134,992**	$ 132,874
Accrued post-retirement life insurance obligations	**$ 111,580**	$ 96,268

13. *Tangible Capital Assets*

	Net Book Value	
	2011	2010
General		
Land	**$ 202,897**	$ 191,940
Buildings	**318,846**	303,015
Vehicles	**178,251**	172,305
Computer	**40,754**	46,987
Other	**120,934**	94,236
Infrastructure		
Plants and facilities	**598,277**	600,589
Roads	**987,930**	859,372
Underground and other networks	**1,815,433**	1,764,978
Bridges and other structures	**384,570**	304,247
	4,647,892	4,337,669
Assets under construction	**99,903**	110,326
	$ 4,747,795	$ 4,447,995

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

During the year, $5.8 million (2010 - $0.7 million) of tangible capital assets were written-down. Interest capitalized during 2011 was $2.6 million (2010 - $3.5 million). In addition, roads and underground networks contributed to the City totalled $58.6 million in 2011 (2010 - $43.1 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $97.4 million (2010 - $nil) of tangible capital assets that were acquired through service concession arrangements.

14. *Accumulated Surplus*

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

	2011	2010
Surplus		
Invested in tangible capital assets	**$ 4,197,895**	$ 3,983,440
Manitoba Hydro long-term receivable	**220,238**	220,238
Sewage Disposal System	**77,144**	90,872
Waterworks System	**62,161**	68,375
North Portage Development Corporation	**19,292**	19,308
CentreVenture Development Corporation	**15,587**	9,651
Solid Waste Disposal	**4,630**	3,296
Equipment and Material Services	**3,227**	8,757
Other	**23,002**	36,427
Unfunded expenses		
Canadian Museum for Human Rights grant	**(11,025)**	(11,059)
Environmental liabilities	**(19,160)**	(18,878)
Accrued employee benefits and other	**(152,903)**	(142,644)
Total Surplus	**4,440,088**	4,267,783
Reserves		
Capital Reserves		
Environmental Projects	**45,547**	38,544
Sewer System Rehabilitation	**31,801**	33,316
Rapid Transit Infrastructure	**11,147**	7,602
Transit Bus Replacement	**8,655**	8,063
Other	**10,566**	9,851
	107,716	97,376
Stabilization Reserves		
Financial Stabilization	**85,305**	-
Mill Rate Stabilization	**-**	41,910
Fiscal Stabilization	**-**	39,672
	85,305	81,582
Special Purpose Reserves		
Perpetual Maintenance Fund - Brookside Cemetery	**12,944**	12,608
General Purpose	**11,063**	7,214
Land Operating	**10,901**	14,182
Destination Marketing	**10,186**	7,631
Heritage Investment	**5,468**	6,410
Insurance (Note 20)	**5,103**	3,690
Contribution in Lieu of Land Dedication	**4,800**	4,495
Workers Compensation	**3,883**	2,758
Other	**17,633**	12,985
	81,981	71,973
Total Reserves	**275,002**	250,931
	$ 4,715,090	$ 4,518,714

14. *Accumulated Surplus (continued)*

Invested in tangible capital assets represents equity in non-financial assets, which is either a portion or the entire accumulated surpluses of specific funds consolidated in these statements. For those funds, where a portion of their accumulated surplus is allocated to invested in tangible capital assets, the amount is determined based on tangible capital assets less debt.

15. *Commitments and Contingencies*

The significant commitments and contingencies that existed at December 31, 2011 are as follows:

a) Operating leases

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:

	Operating Leases
2012	$ 3,539
2013	3,248
2014	2,155
2015	1,581
2016 and thereafter	8,315
	$ 18,838

b) Legal obligations

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2011 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements.

c) Loan guarantees

The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2011 is $6.9 million (2010 - $5.4 million).

d) Service concession arrangements

(i) The City entered into a fixed-price contract with Plenary Roads Winnipeg GP (“PRW”) to design, build, finance and maintain the Disraeli Bridges. The contract was executed in March 2010. The project is currently under construction with commissioning anticipated to be in the fall of 2012. The entire project, including upfront costs beyond the PRW fixed-price contract, is budgeted to be financed through City-issued debt of $75.0 million, a $101.2 million service concession arrangement obligation to PRW and cash consideration paid by the City of $18.8 million. Upon commissioning of the project, the City will commence repayment of the service concession agreement obligation to PRW through monthly capital and interest performance-based payments totalling $9.8 million annually over the 30-year contract. The City will also pay PRW over the term of the contract, a monthly performance-based maintenance payment totalling $1.6 million annually, to be adjusted by the Consumer Price Index (CPI). The payment will commence upon commissioning of the project.

(ii) As disclosed in Note 9d, the City will pay DBF2 a monthly performance-based maintenance payment related to the Chief Peguis Trail Extension contract. The monthly payment, totalling $1.4 million annually is to be adjusted by CPI and is payable commencing January 2012 until the termination of the contract with DBF2 in January 2042.

e) Veolia agreement

On April 20, 2011, the City entered into an agreement with VWNA Winnipeg Inc. (“Veolia”) for the provision of expert advice to the City to assist with construction and operating improvements to the City’s sewage treatment system (the “Program”). The agreement is effective May 1, 2011, and has a term of 30 years, subject to certain termination provisions.

The City’s sewage treatment system treats and handles wastewater and resulting residuals at its existing three major sewage treatment facilities, the South End, West End and North End Water Pollution Control Centres (the “Facilities”). Veolia’s role will be to provide services to the City and representatives of Veolia will work collaboratively with representatives of the City providing advice and recommendations to the City in respect of the City's (i) management and operation of the Facilities for the handling and treatment of wastewater; (ii) assessment, planning and delivery of upgrades and capital modification to the Facilities; and (iii) assessment, planning and delivery of operational improvements to the Facilities during the term of this agreement. The Program will not include the City’s supply of water or its waterworks system or work relating to the collection system or land drainage system.

Under the agreement, the City will: retain complete ownership of all the sewage system assets; continue to exercise control over the sewage treatment systems by means of the City Council budget approvals and by the setting of service quality standards that will be reported publicly on a regular basis; continue to control operating and maintenance parameters by which the sewage system shall operate; and retain full accountability for compliance with regulatory permits and licenses.

Decisions for the sewage treatment system will be made by the City based upon the best advice of City management and Veolia experts working together.

The agreement provides both parties with a variety of responsibilities, rights, protections, and obligations reflecting reasonable commercial terms.

Compensation to Veolia under the Agreement includes the following components:
1. Reimbursement of Veolia’s actual direct costs related to the Program (“Direct Costs”);
2. An agreed upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost (“Fee”);
3. For operations and capital projections under the Program, a target cost will be set. Veolia will receive a share of the savings when actual operating costs and/or capital costs are below target costs (“Gainshare”). Veolia will receive a share of expense when actual operating costs and/or capital costs are above target costs (“Painshare”); and
4. Key performance indicators (“KPIs”) will be established under the Program. Veolia will earn amounts for exceeding established KPIs (“KPI earnings”), and will be deducted amounts for failing to achieve minimum KPIs (“KPI Deductions”).

The agreement only guarantees payment to Veolia in respect of the Direct Costs incurred by it in providing services as indicated in Item 1 described in the above paragraph.

Amounts earned by Veolia over the term of the agreement (Fee, Gainshare, and KPI earnings) are credited to an Earning at Risk Account (“EARA”). Painshare and KPI deductions reduce the EARA. All of these amounts are not guaranteed to be paid to Veolia, and by their nature, are dependent on the financial and overall results of the Program.

15. *Commitments and Contingencies (continued)*

Veolia's withdrawals of amounts from the EARA are subject to certain limits and security posting requirements.

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

The agreement established a Performance Guarantee Security ("PGS"), which is a letter of credit and performance bond that together provide security to the City. In addition to the PGS, Veolia is providing a Parental Guarantee by its parent company.

f) Forgivable loans

The City has received funding from the federal and provincial governments for the purchase of certain properties. Repayment of this funding is not required as long as the properties operate as an affordable housing complex or offer services for the homeless. As at December 31, 2011, the forgivable loans totalled $6.6 million (2010 - $0.8 million).

16. *Taxation*

	2011	2010
Municipal and school property taxes	**$ 888,178**	$ 883,541
Payments-in-lieu of property (municipal and school) and business taxes	**40,291**	42,531
	928,469	926,072
Payments to Province and school divisions	**(497,237)**	(497,907)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	**431,232**	428,165
Business tax and license-in-lieu of business taxes	**55,534**	57,563
Local improvement and frontage levies	**42,542**	29,048
Electricity and natural gas sales taxes	**18,004**	23,227
Amusement and accommodation taxes and mobile home licence	**16,467**	12,991
	$ 563,779	$ 550,994

The property tax roll includes school taxes of $473.8 million (2010 - $474.5 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2011 totalled $23.4 million (2010 - $23.5 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province. If property taxes are reduced due to an assessment reduction, the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

17. *Sales of Services and Regulatory Fees*

	2011	2010
Water sales and sewage services	**$ 216,084**	$ 204,609
Other sales of goods and services	**114,063**	98,854
Transit fares	**69,946**	65,592
Regulatory fees	**60,359**	56,109
	$ 460,452	$ 425,164

18. *Government Transfers*

	2011	2010
Operating		
Province of Manitoba		
Ambulance, libraries and other	**$ 63,314**	$ 51,042
Building Manitoba Fund	**56,704**	56,704
Transit	**30,820**	27,877
Unconditional	**19,888**	19,888
Support	**11,535**	11,545
Support for provincial programs	**(23,650)**	(23,650)
	158,611	143,406
Government of Canada		
Other	**864**	1,504
Total Operating	**159,475**	144,910
Capital		
Province of Manitoba	**79,018**	62,293
Government of Canada		
Federal gas tax revenue	**28,174**	27,176
PPP Canada	**22,209**	-
Other capital funding	**9,210**	9,050
Public transit	**-**	8,457
	59,593	44,683
Total Capital	**138,611**	106,976
	$ 298,086	$ 251,886

In accordance with the recommendations of the Public Sector Accounting Board, government transfers and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the tangible capital assets are acquired.

19. *Expenses by Object*

	2011	2010
Salaries and benefits	**$ 664,221**	$ 623,232
Goods and services	**357,008**	324,119
Amortization	**175,765**	165,857
Interest	**43,954**	46,233
Other expenses	**32,286**	25,197
	$ 1,273,234	$ 1,184,638

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.

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 City's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

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

Protection

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

Community Services

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

Planning

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

Public Works and 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 consists of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to citizens of Winnipeg, collects and treats wastewater, and provides collection, disposal and waste minimization programs and facilities for solid waste. Their 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, transfers from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

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

22. *Funds Held in Trust*

Trust funds administered by the City for the benefit of external parties, which total $0.4 million (2010 - $0.6 million), are not included in the consolidated financial statements.

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	General				
	Land	**Buildings**	**Vehicles**	**Computer**	**Other**
Cost					
Balance, beginning of year	**$ 191,940**	**$ 556,167**	**$ 313,544**	**$ 133,845**	**$ 159,230**
Add:					
Additions during the year	**12,103**	**38,439**	**29,576**	**4,822**	**39,128**
Less:					
Disposals during the year	**1,146**	**2,073**	**7,922**	**296**	**507**
Other	**-**	**-**	**-**	**-**	**-**
Balance, end of year	**202,897**	**592,533**	**335,198**	**138,371**	**197,851**
Accumulated amortization					
Balance, beginning of year	**-**	**253,152**	**141,239**	**86,858**	**64,994**
Add:					
Amortization	**-**	**20,805**	**23,242**	**11,054**	**12,230**
Less:					
Accumulated amortization on disposals	**-**	**270**	**7,534**	**295**	**307**
Balance, end of year	**-**	**273,687**	**156,947**	**97,617**	**76,917**
Net Book Value of Tangible Capital Assets	**$ 202,897**	**$ 318,846**	**$ 178,251**	**$ 40,754**	**$ 120,934**

Infrastructure					Totals	
Plants and Facilities	**Roads**	**Underground and Other Networks**	**Bridges and Other Structures**	**Assets Under Construction**	**2011**	2010
$ 805,136	**$ 1,688,797**	**$ 2,638,155**	**$ 510,016**	**$ 110,326**	**$ 7,107,156**	$ 6,831,420
17,746	**174,269**	**89,862**	**90,798**	**(10,423)**	**486,320**	333,851
4,207	**632**	**11,543**	**-**	**-**	**28,326**	54,415
-	**-**	**-**	**-**	**-**	**-**	(3,700)
818,675	**1,862,434**	**2,716,474**	**600,814**	**99,903**	**7,565,150**	7,107,156
204,547	**829,425**	**873,177**	**205,769**	**-**	**2,659,161**	2,540,066
15,851	**45,486**	**36,622**	**10,475**	**-**	**175,765**	165,857
-	**407**	**8,758**	**-**	**-**	**17,571**	46,762
220,398	**874,504**	**901,041**	**216,244**	**-**	**2,817,355**	2,659,161
$ 598,277	**$ 987,930**	**$ 1,815,433**	**$ 384,570**	**$ 99,903**	**$ 4,747,795**	$ 4,447,995

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

For the year ended December 31, 2011
(in thousands of dollars)

	General Revenue Fund			
	Protection	**Community Services**	**Planning**	**Public Works and Water**
REVENUES				
Taxation	**$ 217,581**	**$ 67,609**	**$ -**	**$ 175,786**
Sales of services and regulatory fees	**47,076**	**17,542**	**22,576**	**10,963**
Government transfers (Note 18)	**66,870**	**10,932**	**-**	**20,289**
Transfer from other funds	**3,313**	**954**	**17,275**	**16,999**
Other	**13,687**	**4,001**	**292**	**8,527**
	348,527	**101,038**	**40,143**	**232,564**
EXPENSES *(Note 19)*				
Salaries and benefits	**295,694**	**37,497**	**20,582**	**71,478**
Goods and services	**35,451**	**8,262**	**2,622**	**118,083**
Interest	**1,234**	**248**	**794**	**12,307**
Transfer to other funds	**10,702**	**35,983**	**13,616**	**36,351**
Other	**5,446**	**19,048**	**2,529**	**(5,655)**
	348,527	**101,038**	**40,143**	**232,564**
NET SURPLUS	**$ -**	**$ -**	**$ -**	**$ -**

For the year ended December 31, 2010
(in thousands of dollars)

	General Revenue Fund			
	Protection	**Community Services**	**Planning**	**Public Works and Water**
REVENUES				
Taxation	$ 214,964	$ 68,961	$ 1,166	$ 165,259
Sales of services and regulatory fees	45,559	17,786	20,617	4,520
Government transfers (Note 18)	55,280	12,131	3,627	17,796
Transfer from other funds	3,926	1,394	14,230	17,725
Other	8,041	2,606	1,419	5,144
	327,770	102,878	41,059	210,444
EXPENSES *(Note 19)*				
Salaries and benefits	279,700	44,998	20,841	60,458
Goods and services	32,489	11,831	2,787	101,018
Interest	1,575	657	2,375	29,040
Transfer to other funds	8,557	36,704	10,213	6,780
Other	5,449	8,688	4,843	13,148
	327,770	102,878	41,059	210,444
NET SURPLUS	$ -	$ -	$ -	$ -

Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
$ 107,261	**$ -**	**$ -**	**$ 13,687**	**$ (18,145)**	**$ 563,779**
11,838	**72,222**	**241,497**	**85,311**	**(48,573)**	**460,452**
18,606	**41,482**	**14,617**	**151,480**	**(26,190)**	**298,086**
3,257	**56,992**	**34,970**	**805,942**	**(939,702)**	**-**
12,374	**1,638**	**25,802**	**98,080**	**(17,108)**	**147,293**
153,336	**172,334**	**316,886**	**1,154,500**	**(1,049,718)**	**1,469,610**
38,176	**84,040**	**58,537**	**48,358**	**9,859**	**664,221**
12,865	**43,864**	**94,431**	**89,667**	**(48,237)**	**357,008**
1,650	**6,234**	**19,208**	**20,006**	**(17,727)**	**43,954**
67,654	**13,892**	**76,348**	**669,968**	**(924,514)**	**-**
32,991	**14,117**	**39,856**	**160,723**	**(61,004)**	**208,051**
153,336	**162,147**	**288,380**	**988,722**	**(1,041,623)**	**1,273,234**
$ -	**$ 10,187**	**$ 28,506**	**$ 165,778**	**$ (8,095)**	**$ 196,376**

Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
$ 94,184	$ -	$ -	$ 13,584	$ (7,124)	$ 550,994
11,107	68,217	225,697	76,598	(44,937)	425,164
14,522	36,795	12,676	109,046	(9,987)	251,886
3,366	68,813	30,353	306,315	(446,122)	-
7,729	2,173	19,252	80,107	(659)	125,812
130,908	175,998	287,978	585,650	(508,829)	1,353,856
37,179	82,365	56,996	39,727	968	623,232
14,827	38,305	78,604	90,609	(46,351)	324,119
5,365	5,238	19,274	51,402	(68,693)	46,233
50,388	12,349	62,108	156,031	(343,130)	-
23,149	13,040	34,329	139,265	(50,857)	191,054
130,908	151,297	251,311	477,034	(508,063)	1,184,638
$ -	$ 24,701	$ 36,667	$ 108,616	$ (766)	$ 169,218

THE CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW

December 31
("$" amounts in thousands of dollars, except as noted)
(Unaudited)

			2011	2010	2009	2008	2007
1.	Population (as restated per Statistics Canada)		**691,800**	682,100	672,900	664,900	658,500
	Unemployment rate (per Statistics Canada)						
	- Winnipeg		**5.8%**	5.7%	5.4%	4.3%	4.7%
	- National average		**7.4%**	8.0%	8.3%	6.1%	6.0%
2.	Average annual headcount		**10,039**	9,942	9,827	9,623	9,552
3.	Number of taxable properties		**216,997**	215,224	213,574	211,048	209,127
	Payments-in-lieu of taxes						
	Number of properties		**1,181**	1,238	903	908	945
4.	Assessment - Residential	$	**44,052,618**	43,431,201	24,048,221	23,666,110	23,223,839
	(see note) - Commercial and industrial		**12,054,712**	12,033,087	8,242,789	8,161,490	8,095,206
	- Farm and golf		**179,736**	183,279	128,611	131,414	156,357
		$	**56,287,066**	55,647,567	32,419,621	31,959,014	31,475,402
	Assessment per capita (in dollars)	$	**81,363**	81,583	48,179	48,066	47,799
	Commercial and industrial as a percentage of assessment		**21.42%**	21.62%	25.43%	25.54%	25.72%
5.	Tax arrears	$	**34,747**	34,387	30,036	29,893	38,038
6.	Tax arrears - per capita (in dollars)	$	**50.23**	50.41	44.64	44.96	57.76
7.	Municipal mill rate		**15.295**	15.295	25.448	25.448	25.448
	- 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		**118.1**	114.8	113.9	113.3	110.8
	- Percentage increase		**2.9%**	0.8%	0.5%	2.3%	2.1%
9.	Consolidated revenues						
	- Taxation	$	**563,779**	550,994	534,571	521,684	515,197
	- User charges		**460,452**	425,164	413,243	412,984	381,273
	- Government transfers		**298,086**	251,886	256,823	213,310	188,563
	- Interest and other revenue		**147,293**	125,812	139,011	123,280	135,781
		$	**1,469,610**	1,353,856	1,343,648	1,271,258	1,220,814
10.	Consolidated expenses by function						
	- Municipal operations	$	**891,823**	851,469	842,003	773,303	765,732
	- Public utilities		**334,154**	301,637	278,848	258,788	242,797
	- Civic corporations		**47,257**	31,532	29,582	29,383	25,000
		$	**1,273,234**	1,184,638	1,150,433	1,061,474	1,033,529
11.	Growth in accumulated surplus	$	**196,376**	169,218	193,215	209,784	187,285

(Note: In 2010, the City conducted a general reassessment which moved from a 2003 level of value to a 2008 level of value.)

THE CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW - continued

December 31
("$" amounts in thousands of dollars, except as noted)
(Unaudited)

		2011	2010	2009	2008	2007
12. Consolidated expenses by object						
Salaries and benefits	$	**664,221**	623,232	598,576	565,071	539,405
Goods and services		**357,008**	324,119	314,746	291,061	291,032
Amortization		**175,765**	165,857	155,382	141,099	133,635
Interest		**43,954**	46,233	49,588	50,952	46,950
Other expenses		**32,286**	25,197	32,141	13,291	22,507
	$	**1,273,234**	1,184,638	1,150,433	1,061,474	1,033,529
13. Payments to school authorities	$	**497,237**	497,907	474,445	465,001	452,937
14. Debt						
Tax-supported	$	**334,359**	274,838	294,449	378,872	379,836
Transit		**110,449**	81,408	22,088	24,914	25,464
City-owned utilities		**285,799**	290,605	288,899	304,834	206,261
Other		**70,321**	68,238	73,081	44,472	34,587
Total gross debt		**800,928**	715,089	678,517	753,092	646,148
Less: Sinking Funds		**242,528**	218,687	199,025	276,158	248,686
Total net long-term debt	$	**558,400**	496,402	479,492	476,934	397,462
Percentage of total assessment		**0.99%**	0.89%	1.48%	1.49%	1.26%
15. Acquisition of tangible capital assets	$	**486,320**	333,851	384,110	330,344	352,149
16. Net financial (liabilities) assets	$	**(55,176)**	48,603	36,903	77,850	52,440
17. Accumulated surplus						
Surpluses						
Invested in tangible capital assets	$	**4,197,895**	3,983,440	3,803,787	3,568,485	3,434,876
Manitoba Hydro long-term receivable		**220,238**	220,238	226,640	232,679	238,376
Other surpluses		**205,043**	236,686	230,630	253,225	187,543
Unfunded expenses		**(183,088)**	(172,581)	(170,228)	(150,518)	(157,724)
		4,440,088	4,267,783	4,090,829	3,903,871	3,703,071
Reserves						
Capital		**107,716**	97,376	98,329	94,156	89,887
Stabilization		**85,305**	81,582	78,397	84,680	78,619
Special Purpose		**81,981**	71,973	81,941	73,574	74,920
		275,002	250,931	258,667	252,410	243,426
	$	**4,715,090**	4,518,714	4,349,496	4,156,281	3,946,497
18. Government specific indicators						
Assets-to-liabilities		**5.62**	6.00	6.05	5.88	5.89
Financial assets-to-liabilities		**0.95**	1.05	1.04	1.09	1.06
Public debt charges-to-revenues		**0.03**	0.03	0.04	0.04	0.04
Own-source revenues-to-taxable assessment		**0.02**	0.02	0.03	0.03	0.03
Government transfers-to-revenues		**0.20**	0.19	0.19	0.17	0.15

PHOTO: Dodgie Dator, courtesy Tourism Winnipeg

Funds
Detailed Financial Statements 2011

PHOTO: Ruehle Design, courtesy Tourism Winnipeg

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, 2011, the General Revenue Fund reported a net surplus of $9.7 million (2010 - $nil). Factors that contributed to the General Revenue Fund's position were as follows:

- The Planning, Property and Development department's net mill rate improved by $7.2 million, primarily because of a higher than expected transfer from the Municipal Accommodations Fund and net permit revenues;
- Corporate expenses were below budget by $3.6 million, mainly as a result of improved employee benefit costs;
- Interest revenue was higher than expected by $2.6 million, primarily from tax arrears and investment returns;
- Provincial funding (gaming revenue) was received for 17 additional police officers in the amount of $1.5 million;
- Spring Flood costs, primarily in the Public Works and Water and Waste departments, were over budget by $1.3 million after recoveries through the Province's Disaster Financial Assistance program and sales of services;
- Traffic enforcement revenue was under budget by $2.9 million as a result of a reduction in photo tickets issued and reduced resources available for traffic by-law enforcement;
- In addition to the flood costs mentioned above, the Public Works department's expenses were over budget by $5.0 million, primarily due to snow clearing.
- Other departmental revenues and expenses provided $4.0 million towards the net surplus.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

FIVE-YEAR REVIEW

December 31
("$" amounts in thousands of dollars, except as noted)
(unaudited)

	2011	2010	2009	2008	2007
Planning, Property and Development					
Construction					
-Permits issued	**10,046**	9,543	9,480	9,120	8,742
-Value	**$ 1,158,757**	$ 1,152,406	$ 1,110,844	$ 1,053,811	$ 843,591
Housing starts (2007 restated)	**2,976**	2,737	1,811	2,646	3,127
Community Services					
Libraries Provincial Grant	**$ 2,010**	$ 2,010	$ 2,010	$ 2,010	$ 1,910
Library circulation	**5,471,471**	5,448,774	5,728,077	5,465,522	5,431,786
Taxes Receivable					
Property, payments-in-lieu and business taxes	**$ 34,747**	$ 34,387	$ 30,036	$ 29,893	$ 38,038
Allowance for tax arrears	**(2,629)**	(3,080)	(3,784)	(3,657)	(6,228)
	$ 32,118	$ 31,307	$ 26,252	$ 26,236	$ 31,810
Tax Revenues					
Municipal realty taxes	**$ 409,208**	$ 405,785	$ 398,730	$ 395,410	$ 389,913
Payments-in-lieu of taxes	**$ 28,646**	$ 30,519	$ 31,058	$ 30,087	$ 30,421
Business and licenses-in-lieu of business taxes	**$ 55,655**	$ 56,417	$ 56,504	$ 56,508	$ 56,057
Statement of Operations					
Revenues	**$ 875,608**	$ 813,059	$ 794,766	$ 780,628	$ 756,292
Expenses	**865,908**	813,059	785,773	767,808	754,710
	9,700	-	8,993	12,820	1,582
Contribution to:					
General Purpose Reserve	**(9,700)**	-	(8,993)	-	-
Mill Rate Stabilization Reserve	**-**	-	-	(12,820)	(1,582)
Surplus	**$ -**	$ -	$ -	$ -	$ -

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

STATEMENT OF FINANCIAL POSITION

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

	2011	2010
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 615,121**	$ 563,988
Accounts receivable (Note 4)	**87,865**	72,684
Materials and supplies	**8,268**	7,808
Prepaid expenses	**1,076**	1,325
	712,330	645,805
Investments (Note 5)	**49,676**	37,272
Contributed surplus and other assets (Note 6)	**36,790**	45,699
	$ 798,796	$ 728,776
LIABILITIES		
Current		
Notes payable (Note 7)	**$ 197,281**	$ 154,472
Due to other funds (Note 8)	**431,705**	436,276
Accounts payable and accrued liabilities (Note 9)	**106,883**	84,250
Deferred revenue (Note 10)	**37,020**	38,633
Performance and other deposits	**21,598**	15,145
	794,487	728,776
Debt - General Capital Fund (Note 11)	**4,309**	-
	$ 798,796	$ 728,776

Commitments and contingent liabilities (Note 12)

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)

	2011 Budget	2011 Actual	2010 Actual
REVENUES (Schedule 1)			
Taxation (Note 13)	**$ 536,956**	**$ 539,591**	$ 514,015
Government transfers	**106,106**	**116,697**	103,356
Sale of goods and services (Note 14)	**58,130**	**64,547**	56,150
Regulation fees	**41,883**	**45,448**	43,439
Contributions and transfers	**38,203**	**41,798**	40,641
Payments-in-lieu of taxes (Note 13)	**28,646**	**28,646**	30,519
Investment and other interest	**20,728**	**22,090**	4,189
Sale of Winnipeg Hydro and other	**16,672**	**16,791**	20,750
Total Revenues	**847,324**	**875,608**	813,059
EXPENSES (Schedules 2 and 3)			
Protection and community services	**446,776**	**450,729**	431,749
Public works	**215,537**	**232,564**	210,444
Finance and administration	**82,766**	**82,172**	74,905
Contribution to Transit System	**44,172**	**44,172**	43,200
Property and development	**38,353**	**40,143**	41,059
Employee benefits and payroll tax	**13,233**	**12,915**	12,163
Debt and finance charges	**3,116**	**3,052**	5,095
Grants and payments to other authorities	**571**	**571**	560
Other	**2,800**	**(410)**	(6,116)
Total Expenses	**847,324**	**865,908**	813,059
Surplus for the year before contribution	**-**	**9,700**	-
Contribution:			
General Purpose Reserve	**-**	**(9,700)**	-
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise 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) Cash equivalents

Cash equivalents consist of crown corporation bonds; provincial government bonds; City of Winnipeg municipal bonds; other municipal bonds; schedule 1 bank bonds, bankers' acceptances and bearer deposit notes; schedule 2 bankers' acceptances and bearer deposit notes; and asset backed commercial paper. Cash equivalents are recorded at cost, which approximates their quoted market value, and are redeemable on demand.

d) Materials and supplies

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

e) Investments

Bonds are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

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) Debt and finance charges

Tax-supported tangible capital assets, including those financed by debt, 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 with the interest expense 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 any time. Local improvement taxes which have been paid by the property owners are recognized as revenue in the year paid.

i) Taxes collected for others

The City collects taxes for the Public Schools' Finance Board, Winnipeg's school divisions and on behalf of local business improvement zone boards. These taxes are remitted to the respective boards and divisions and are not included as revenues and expenses in the General Revenue Fund'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 $100 thousand 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 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 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.

m) Taxation revenue

Municipal realty, business, license-in-lieu of business and payments-in-lieu of taxes are reported at adopted budget and the variance between actual and adopted budget is reported in the Financial Stabilization Reserve.

1. *Significant Accounting Policies (continued)*

n) 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 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 also bills, collects and remits taxes on behalf of business improvement zones. The City has no jurisdiction or control over the school divisions' or business improvement zones' operations or their mill rate increases and therefore, the financial statements of these entities do not form part of the General Revenue Fund's financial statements.

3. *Cash and Cash Equivalents*

	2011	2010
Bank balance (overdraft), net of other cash items	**$ 1,304**	$ (1,287)
Cash equivalents	**613,817**	565,275
	$ 615,121	$ 563,988

Cash equivalents have an effective average interest rate of 1.3% (2010 - 1.3%).

4. *Accounts Receivable*

	2011	2010
Property, payments-in-lieu and business taxes	**$ 34,747**	$ 34,387
Allowance for tax arrears	**(2,629)**	(3,080)
	32,118	31,307
Province of Manitoba	**27,971**	14,283
Trade accounts and other receivables	**26,207**	23,601
Government of Canada	**3,502**	5,573
Accrued interest receivable	**1,953**	3,088
The Convention Centre Corporation	**-**	36
The Sinking Fund Trustees of The City of Winnipeg	**-**	4
Allowance for doubtful accounts	**(3,886)**	(5,208)
	55,747	41,377
	$ 87,865	$ 72,684

5. *Investments*

	2011	2010
Marketable securities		
Government of Canada bonds	**$ -**	$ 4,999
Provincial bonds	**881**	4,092
Municipal bonds	**48,795**	28,181
	$ 49,676	$ 37,272

The aggregate market value of marketable securities at December 31, 2011 is $51.2 million (2010 - $38.3 million).

6. *Contributed Surplus and Other Assets*

	2011	2010
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	**3,918**	12,218
Golf Services - Special Operating Agency, interest at 6%, repayable in annual payments of $208 thousand, including interest and principal	**3,019**	3,044
Deferred election costs	**1,166**	1,750
	$ 36,790	$ 45,699

Interest revenue received on the loan to Golf Services - Special Operating Agency during the year was $183 thousand (2010 - $184 thousand).

Interest revenue received on the loan to Winnipeg Parking Authority - Special Operating Agency during the year was $nil (2010 - $nil).

7. *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 1.0% (2010 - 0.5%). These notes are callable by the issuers.

	2011	2010
Winnipeg Civic Employees' Benefits Program (Pension Fund)	**$ 131,230**	$ 61,418
Winnipeg Police Pension Plan	**46,363**	30,420
The Civic Employees' Group Life Insurance Plan	**11,837**	26,456
Insurance Reserve	**4,103**	2,527
Workers Compensation Reserve	**2,882**	2,758
Perpetual Maintenance Reserve Funds:		
- Brookside Cemetery	**426**	1,263
- St. Vital Cemetery	**136**	100
- Transcona Cemetery	**88**	95
Brady Landfill Site Rehabilitation Reserve	**130**	32
Sinking Fund	**86**	194
The Sinking Fund Trustees of The City of Winnipeg	**-**	29,209
	$ 197,281	$ 154,472

8. Due to Other Funds

The City 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.

	2011	2010
Capital Reserves	**$ 142,669**	$ 100,203
Stabilization Reserves	**85,305**	81,582
Sewage Disposal System	**63,752**	70,903
Special Purpose Reserves	**62,478**	70,468
Waterworks System	**46,899**	56,855
Transit System	**23,021**	32,709
General Capital	**14,753**	(8,841)
General Revenue Enterprises	**6,382**	8,000
Equipment and Material Services	**2,079**	7,609
Trusts	**411**	587
Municipal Accommodations	**204**	-
Equity in Capital Assets	**-**	37,856
Building Services	**-**	1,129
Civic Accommodations	**-**	(215)
Animal Services - Special Operating Agency	**(213)**	(903)
Winnipeg Enterprises Corporation	**(275)**	(768)
Solid Waste Disposal	**(786)**	805
Winnipeg Parking Authority - Special Operating Agency	**(1,653)**	(8,037)
Golf Services - Special Operating Agency	**(5,700)**	(4,874)
Fleet Management - Special Operating Agency	**(7,621)**	(8,792)
	$ 431,705	$ 436,276

9. Accounts Payable and Accrued Liabilities

	2011	2010
Trade accounts payable	**$ 48,489**	$ 37,641
Provincial education support and school division special levies payable	**20,135**	21,820
Wages and employee benefits payable	**17,563**	8,305
Other accrued liabilities	**11,438**	10,747
Provision for assessment appeals	**4,808**	1,444
Accrued interest on long-term debt	**4,450**	4,293
	$ 106,883	$ 84,250

10. Deferred Revenue

	2011	2010
Deferred gain on sale of assets to:		
Golf Services - Special Operating Agency	**$ 21,874**	$ 22,038
Winnipeg Parking Authority - Special Operating Agency	**8,897**	9,006
Province of Manitoba, Federal Government and other	**5,004**	6,481
Registration fees	**1,191**	1,047
Rentals	**54**	61
	$ 37,020	$ 38,633

11. *Debt - General Capital Fund*

	2011	2010
General Capital Fund debt issued by the City, maturing in 2030 with a weighted average interest rate of 7.1%	**$ 4,309**	$ -

Debt to be retired over the next five years:

2012	$ 315
2013	338
2014	311
2015	249
2016	266
Thereafter	2,830
	$ 4,309

12. *Commitments and Contingent Liabilities*

The following significant commitments and contingencies existed at December 31, 2011:

a) Loan guarantees

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

	2011	2010
Southdale Recreation Association Inc.	**$ 2,926**	$ 1,313
CentreVenture Development Corporation	**2,475**	2,600
Dakota Community Centre Inc.	**1,766**	1,903
Gateway Recreation Centre Inc.	**736**	995
Winnipeg Enterprises Corporation	**708**	992
Winnipeg Soccer Federation	**454**	76
Garden City Community Centre Inc.	**404**	370
Winnipeg Housing Rehabilitation Corporation	**214**	510
St. Norbert Community Centre	**164**	205
Glenwood Community Centre Inc.	**154**	144
Maples Recreation Association Inc.	**149**	183
Manitoba Opera Association Inc.	**80**	87
Granite Curling Club	**46**	54
Charleswood Broncos Football Club	**-**	35
Springer's Gymnastics Club Inc.	**-**	11
	$ 10,276	$ 9,478

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, 2011, an accrual has not been made to the financial statements.

b) Lawsuits

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2011 cannot be predicted with certainty. 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.

13. Taxation

The property tax roll recorded in the General Revenue Fund for the year totalled $883.0 million (2010 - $880.2 million). This included school taxes of $473.8 million (2010 - $474.5 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were $52.1 million (2010 - $54.0 million). Included were payments-in-lieu of school taxes assessed in 2011 of $23.4 million (2010 - $23.5 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:

	2011	2010
Sewage Disposal System	**$ 8,361**	$ 7,901
Waterworks System	**2,153**	2,183
Transit System	**451**	457
Winnipeg Parking Authority - Special Operating Agency	**433**	591
Golf Services - Special Operating Agency	**276**	268
Solid Waste Disposal	**29**	29
	$ 11,703	$ 11,429

14. 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:

	2011	2010
Waterworks System	**$ 921**	$ 921
Sewage Disposal System	**899**	898
Transit System	**777**	777
Municipal Accommodations	**557**	-
Solid Waste Disposal	**134**	133
Animal Services - Special Operating Agency	**70**	70
Winnipeg Parking Authority - Special Operating Agency	**37**	36
Golf Services - Special Operating Agency	**15**	15
Fleet Management - Special Operating Agency	**5**	-
Civic Accommodations	**-**	306
Building Services	**-**	252
	$ 3,415	$ 3,408

15. *Contributions and Appropriations to 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: Animal Services - Special Operating Agency net transfer $1.3 million (2010 - $1.1 million); Insect Control Urgent Expenditures Reserve $nil (2010 - $112 thousand); and Recreation Programming Reserve $490 thousand (2010 - $330 thousand).

Included in Public Works department's expenses is a transfer to the Insect Control Urgent Expenditures Reserve $2.3 million (2010 - $nil).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Reserves in the amount of $288 thousand (2010 - $221 thousand), a transfer to the Permit Reserve of $1.2 million (2010 - $1.8 million) and the Housing Rehabilitation Investment Reserve of $1.5 million (2010 - $1.4 million).

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes $248 thousand (2010 - $236 thousand) from the Stabilization Reserves, $277 thousand (2010 - $232 thousand) from the Special Purpose Reserves, $300 thousand (2010 - $231 thousand) from the Capital Reserves, $nil (2010 - $97 thousand) from the Equity in Capital Assets Fund and $32 thousand (2010 - $18 thousand) from the Sinking Fund.

Included in government affairs, pension contribution and other expenses during 2011 is a $94 thousand transfer from the Municipal Accommodations Fund. During 2010, there was a transfer from the Civic Accommodations Fund of $89 thousand and the Building Services Fund of $4 thousand.

Included in various expense categories are the following: during 2011 a transfer of $59.8 million to the Municipal Accommodations Fund and during 2010, $33.0 million to the Civic Accommodations Fund and $27.4 million to the Building Services Fund for facilities costs; a transfer to the Computer Replacement Reserve of $662 thousand (2010 - $324 thousand); a transfer to the General Capital Fund of $39.2 million (2010 - $nil) to fund capital projects; a contribution to the Commitment Reserve of $1.9 million (2010 - $664 thousand); a transfer to the Insurance Reserve of $748 thousand (2010 - $752 thousand); a transfer to the General Capital Fund of $1.0 million (2010 - $2.2 million) for capital expenditures; a transfer to the Waterworks System Fund of $127 thousand (2010 - $81 thousand); and a transfer to the Library Reserve of $nil (2010 - $130 thousand).

16. *Pension Costs and Obligations*

a) Winnipeg Civic Employees' Benefits Pension and Winnipeg Police Pension Plans

The Fund's employees are eligible for benefits under the Winnipeg Civic Employees' Benefits Pension and the Winnipeg Police Pension Plans. The City allocates its benefit costs to various departments. During the year $30.8 million (2010 - $30.0 million) of benefit costs were allocated to the General Revenue Fund.

b) Councillors' Pension Plan Established Under By-Law No. 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. These benefits are recorded when paid. The unrecorded benefits liability at December 31, 2011 has been estimated to be $3.9 million (2010 - $3.9 million). In 2011, the City paid out $0.4 million (2010 - $0.3 million).

16. Pension Costs and Obligations (continued)

c) Councillors' Pension Plan Established Under By-Law No. 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 City Council were required to become members of the Plan on January 1, 2001.

In 2011, the City paid out $0.2 million (2010 - $0.2 million).

17. 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, 2011 at $79.7 million (2010 - $74.2 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, 2011 is estimated at $9.3 million (2010 - $5.3 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, 2011 is estimated at $34.1 million (2010 - $31.7 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, 2011 is estimated at $10.0 million (2010 - $6.8 million).

e) Employees of the City who are members of the Winnipeg Civic Employees' Benefits Pension and the Winnipeg Police Pension Plans 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 for members while employed and can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance. An actuarial valuation indicated that this post-retirement liability is fully funded.

18. 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.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2011 Budget	**2011 Actual**	2010 Actual
Taxation			
Municipal realty tax	**$ 409,217**	**$ 409,208**	$ 405,785
Business and licenses-in-lieu of business taxes	**55,655**	**55,655**	56,417
Frontage levy	**41,000**	**41,069**	26,611
Electricity and natural gas sales taxes	**23,000**	**23,304**	17,927
Entertainment tax	**6,045**	**7,824**	5,340
Local improvement tax	**1,425**	**1,473**	1,337
Local improvement tax commuted	**50**	**493**	37
Licenses-in-lieu of realty tax	**358**	**360**	359
Billboard tax	**206**	**205**	202
	536,956	**539,591**	514,015
Government transfers			
Provincial			
Building Manitoba Fund	**56,760**	**56,704**	56,704
Unconditional	**19,887**	**19,888**	19,888
Ambulance	**6,474**	**11,451**	6,449
Casino	**8,787**	**10,287**	8,787
Other	**3,356**	**9,748**	2,864
Video lottery terminal	**8,820**	**8,820**	8,820
Support	**8,697**	**8,459**	8,524
Emergency medical services	**7,750**	**5,750**	5,750
Assessment	**3,000**	**3,000**	3,000
Libraries	**2,010**	**2,010**	2,010
Policing	**2,000**	**2,000**	2,000
Larviciding	**1,200**	**1,200**	1,200
Dutch elm disease control	**1,000**	**1,000**	1,000
Services transferred to the Province	**(23,650)**	**(23,650)**	(23,650)
	106,091	**116,667**	103,346
Federal government	**15**	**30**	10
	106,106	**116,697**	103,356
Sale of goods and services	**58,130**	**64,547**	56,150
Regulation fees			
Permits and fees	**13,768**	**18,628**	16,592
Fines	**18,998**	**16,085**	16,711
Tax penalties	**5,700**	**6,957**	6,525
Licenses	**3,417**	**3,778**	3,611
	41,883	**45,448**	43,439

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2011 Budget	2011 Actual	2010 Actual
Contributions and transfers			
Sewage Disposal System	**13,665**	**13,665**	13,441
Municipal Accommodations (Note 15)	**4,361**	**8,113**	-
General Purpose Reserve	**8,000**	**8,000**	5,283
Land Operating Reserve	**5,700**	**5,700**	10,044
Permit Reserve	**1,000**	**1,955**	116
Solid Waste Disposal	**2,400**	**1,265**	4,449
Heritage Investment Reserve	**1,000**	**1,000**	-
Transit System	**782**	**782**	785
Waterworks System	**619**	**619**	619
Housing Rehabilitation Reserve	**325**	**325**	-
Winnipeg Parking Authority - Special Operating Agency	**175**	**175**	174
Golf Services - Special Operating Agency	**81**	**81**	79
Destination Marketing Reserve	**60**	**60**	60
General Capital Fund	**13**	**36**	-
General Revenue Enterprises Fund	**22**	**22**	22
Civic Accommodations (Note 15)	**-**	**-**	3,539
Building Services Fund (Note 15)	**-**	**-**	66
Workers Compensation Reserve	**-**	**-**	1,000
Computer Replacement Reserve	**-**	**-**	800
Concession Equipment Replacement Reserve	**-**	**-**	79
Assiniboine Park Enterprises Reserve	**-**	**-**	75
Fleet Management - Special Operating Agency	**-**	**-**	10
	38,203	**41,798**	40,641
Payments-in-lieu of taxes	**28,646**	**28,646**	30,519
Investment and other interest			
Dividend - Sewage Disposal System	**10,135**	**10,135**	-
Dividend - Waterworks System	**7,048**	**7,048**	-
Interest earned	**2,185**	**3,430**	2,523
Interest capitalized	**924**	**1,041**	1,230
Debt charges recovered	**436**	**436**	436
	20,728	**22,090**	4,189
Sale of Winnipeg Hydro and other			
Manitoba Hydro	**16,000**	**16,000**	20,000
Accounts payable write-offs, commissions, etc.	**672**	**791**	750
	16,672	**16,791**	20,750
Total Revenues	**$ 847,324**	**$ 875,608**	$ 813,059

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2011 Budget	2011 Actual	2010 Actual
Protection and community services			
Police services	$ 202,173	$ 201,777	$ 191,542
Fire paramedic service	143,013	146,750	136,228
Community services	100,479	101,038	102,878
Museums	1,111	1,164	1,101
	446,776	450,729	431,749
Public works			
Public works	170,157	182,865	165,201
Water and waste	34,695	39,081	34,664
Street lighting	10,685	10,618	10,579
	215,537	232,564	210,444
Finance and administration			
Corporate support services	30,899	30,260	30,864
Assessment and taxation	23,841	25,091	18,714
City clerks	10,316	10,203	9,531
Corporate finance	8,074	7,300	7,213
Council	2,880	2,822	2,751
Legal services	2,430	2,384	2,190
Mayor's office	1,819	1,740	1,692
Chief administrative offices	1,641	1,615	1,129
Audit	866	757	821
	82,766	82,172	74,905
Contribution to Transit System	44,172	44,172	43,200
Property and development			
Planning, property and development	38,353	40,143	41,059
Employee benefits and payroll tax			
Provincial payroll tax	8,490	9,051	8,445
Employee benefits	4,743	3,864	3,718
	13,233	12,915	12,163

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2011 Budget	**2011 Actual**	2010 Actual
Debt and finance charges			
Transfer to General Capital Fund	**78,341**	**38,905**	80,776
Other interest and finance charges	**783**	**699**	2,244
Transfer to Equity in Capital Assets Fund	**-**	**-**	(1,494)
Transfer to departments	**(76,008)**	**(36,552)**	(76,431)
	3,116	**3,052**	5,095
Grants and payments to other authorities			
The Convention Centre Corporation	**501**	**501**	510
Grants	**70**	**70**	50
	571	**571**	560
Other			
Insurance and damage claims	**3,774**	**3,774**	3,726
Government affairs, pension contribution and other	**(974)**	**(4,184)**	(9,842)
	2,800	**(410)**	(6,116)
Contribution to			
General Purpose Reserve	**-**	**9,700**	-
Total Expenses	**$ 847,324**	**$ 875,608**	$ 813,059

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 3

EXPENSES BY OBJECT

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

	2011 Budget	**2011 Actual**	2010 Actual
Salaries and employee benefits	**$ 456,572**	**$ 463,427**	$ 443,176
Transfers to other Funds	**107,623**	**164,306**	112,642
Services	**128,265**	**131,472**	125,888
Debt and finance charges - departmental and corporate	**79,137**	**40,068**	81,927
Materials, parts and supplies	**35,466**	**38,814**	31,490
Grants and payments to other authorities - departmental and corporate	**31,123**	**33,596**	21,701
Municipal tax, amortization, and other	**18,471**	**21,537**	9,939
Provincial payroll tax	**8,490**	**9,051**	8,445
Assets - purchases and renovations	**7,343**	**6,997**	5,574
Recoveries	**(25,166)**	**(33,660)**	(27,723)
	$ 847,324	**$ 875,608**	$ 813,059

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 2011 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 2011 with 2010 comparative figures are as follows:

	2011	2010
Provincial education support program levy		
Other property	**$ 86,096,750**	$ 90,526,480
Special levies (by school division)		
Winnipeg	**132,261,877**	132,032,571
Louis Riel	**71,114,053**	69,967,992
Pembina Trails	**70,831,774**	69,830,065
River East - Transcona	**58,115,832**	57,499,237
St. James - Assiniboia	**41,546,938**	41,504,786
Seven Oaks	**33,665,864**	33,076,282
Seine River	**3,573,390**	3,438,829
Interlake	**30,601**	30,564
	411,140,329	407,380,326
	$ 497,237,079	$ 497,906,806
Allocated as follows:		
Realty taxes	**$ 473,827,244**	$ 474,451,871
Payments-in-lieu of taxes	**23,409,835**	23,454,935
	$ 497,237,079	$ 497,906,806

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 5

2011 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

As at April 15, 2011
(unaudited)

	Portion	Taxable	Exempt Subject to Payments-in-Lieu	Exempt	Total
Residential 1	45.0%	$ 16,492,818,246	$ 57,786,120	$ 30,475,233	$ 16,581,079,599
Residential 2	45.0%	1,876,519,570	218,806,920	2,465,685	2,097,792,175
Residential 3	45.0%	1,177,747,200	-	163,620	1,177,910,820
Farm	26.0%	21,820,463	2,746,427	19,100,094	43,666,984
Institutional	65.0%	556,852,031	74,672,000	1,393,640,228	2,025,164,259
Pipelines	50.0%	12,678,000	-	-	12,678,000
Railways	25.0%	43,148,313	-	-	43,148,313
Designated recreational facilities	10.0%	8,372,060	152,700	1,351,600	9,876,360
Other	65.0%	6,259,673,656	593,604,128	906,965,389	7,760,243,173
Legislative building	65.0%	-	8,064,335	-	8,064,335
		$ 26,449,629,539	$ 955,832,630	$ 2,354,161,849	$ 29,759,624,018

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)

	2011	2010	2009	2008	2007
Internal service operations and other programs:					
Revenues	**$ 4,429**	$ 6,155	$ 4,526	$ 4,061	$ 3,649
Expenditures	**5,855**	3,882	4,107	6,014	4,058
(Deficit)/Surplus	**$ (1,426)**	$ 2,273	$ 419	$ (1,953)	$ (409)

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

STATEMENT OF FINANCIAL POSITION

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

		2011		2010
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$**	**6,382**	$	8,000
Accounts receivable		**2**		6
	$	**6,384**	$	8,006
LIABILITIES				
Current				
Deferred revenue	**$**	**2,492**	$	2,688
RETAINED EQUITY		**3,892**		5,318
	$	**6,384**	$	8,006

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)

	2011	2010
REVENUES		
Permits and fees	**$ 4,029**	$ 3,593
Transfer from Land Operating Reserve	**346**	2,514
Sales of goods and services	**54**	48
Total Revenues	**4,429**	6,155
EXPENDITURES		
Street cuts operations (Note 4)	**3,605**	2,987
Transfer to Transit System Fund	**1,271**	-
Real estate enterprises	**705**	822
Libraries programs	**123**	-
Printing and duplicating operations (Note 4)	**96**	-
Riverbank management operations	**55**	73
Total Expenditures (Note 4)	**5,855**	3,882
(DEFICIT) SURPLUS FROM OPERATIONS	**(1,426)**	2,273
RETAINED EQUITY, BEGINNING OF YEAR	**5,318**	3,045
RETAINED EQUITY, END OF YEAR	**$ 3,892**	$ 5,318

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise 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 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) 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. *Expenditures by Object*

	2011	2010
Goods and services	**$ 3,897**	$ 3,128
Transfer to Transit System Fund	**1,271**	-
Grants	**579**	582
Transfer to General Capital Fund	**86**	-
Transfer to General Revenue Fund	**22**	22
Other	**-**	150
	$ 5,855	$ 3,882

Included in street cuts operations expenditures is a transfer to the General Revenue Fund of $22 thousand (2010 - $22 thousand) and in the printing and duplicating operations expenditures is a transfer to the General Capital Fund of $86 thousand (2010 - $nil).

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, City Council is required under The City of Winnipeg Charter to approve a budget for the General Capital Fund. The 2011 budget for the General Capital Fund of $266.3 million was a 5.09% increase from the 2010 budget of $253.4 million. Capital expenditures in 2011 relating to 2011 and previous years capital budgets, increased from $170.0 million in 2010 to $284.2 million in 2011.

Of the $284.2 million of total capital expenditures, $161.7 million was for Roads and Bridges, $29.3 million related to Buildings, $36.9 million was for Water and Waste infrastructure, and $3.0 million related to Information Technology.

Included in the additions to major Roads and Bridges, Buildings and Water and Waste infrastructure projects during the year were the following:

- Chief Peguis Trail	$	97.5	million
- Developer contributions-in-kind	$	41.0	million
- Regional Streets Renewal program	$	26.3	million
- Local Streets Renewal program	$	15.4	million
- Southdale Recreation Centre	$	7.9	million
- Sturgeon Heights Community Centre	$	5.1	million
- Winakwa Community Centre	$	3.0	million
- Lindenwoods Community Centre	$	2.8	million

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

FIVE-YEAR REVIEW

December 31
("$" amounts in thousands of dollars)
(unaudited)

	2011	2010	2009	2008	2007
Tangible Capital Assets	**$ 2,653,033**	$ 2,474,503	$ 2,411,176	$ 2,312,744	$ 2,261,115
% change in tangible capital assets	**7.21%**	2.63%	4.26%	2.28%	2.74%
Debt					
Net Sinking Fund, serial and installement	**$ 129,136**	$ 137,636	$ 165,256	$ 176,920	$ 205,032
Other long-term debt	**111,966**	43,338	48,833	38,286	29,996
Total long-term debt	**$ 241,102**	$ 180,974	$ 214,089	$ 215,206	$ 235,028
% change in total debt	**33.22%**	-15.47%	-0.52%	-8.43%	-4.74%
External Debt as a % of Total Debt	**100.00%**	100.00%	100.00%	100.00%	100.00%
Interest Expense					
Internal (1)	**$ -**	$ 28,055	$ 28,385	$ 27,937	$ 26,514
External	**17,254**	20,184	25,085	27,600	27,203
Interest Expense	**$ 17,254**	$ 48,239	$ 53,470	$ 55,537	$ 53,717
% change in external interest expense	**-14.52%**	-19.54%	-9.11%	1.46%	-5.26%
Summary of Cash Flows					
Operating activities	**$ 210,369**	$ 155,785	$ 188,369	$ 171,202	$ 146,098
Long-term debt (retired) issued, net	**$ (402,594)**	$ 13,791	$ 35,022	$ 2,508	$ (9,129)
Payments to The Sinking Fund Trustees, net	**$ (4,702)**	$ (4,704)	$ (8,272)	$ (8,272)	$ (8,272)
Due from/to General Revenue Fund	**$ (23,594)**	$ 10,154	$ (21,478)	$ (18,886)	$ 29,288
Capital acquisitions	**$ (284,174)**	$ (169,951)	$ (189,153)	$ (150,758)	$ (149,471)
Other	**$ 504,695**	$ (5,075)	$ (4,488)	$ 4,206	$ (8,514)

(1) Effective January 1, 2011, the Equity in Capital Assets Fund was dissolved and the related outstanding debt was consolidated into the General Capital Fund

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF FINANCIAL POSITION

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

	2011	2010
FINANCIAL ASSETS		
Due from General Revenue Fund (Note 3)	**$ 14,753**	$ -
Accounts receivable (Note 4)	**25,645**	40,207
Capital loans receivable (Note 5)	**24,908**	-
	65,306	40,207
LIABILITIES		
Due to General Revenue Fund (Note 3)	**-**	8,841
Accounts payable and accrued liabilities (Note 6)	**3,068**	3,493
Deferred revenue	**14,765**	34,024
Deferred revenue related to capital assets (Note 7)	**31,940**	-
Debt (Note 8)	**241,102**	645,039
Deferred liabilities	**2,154**	2,256
Developer deposits	**8,228**	8,773
	301,257	702,426
NET FINANCIAL LIABILITIES	**(235,951)**	(662,219)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	**2,653,033**	2,474,503
ACCUMULATED SURPLUS (Note 10)	**$ 2,417,082**	$ 1,812,284

Commitments (Note 11)

See accompanying notes and schedules 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)

	2011	2010
REVENUES		
Province of Manitoba capital transfer	**$ 57,284**	$ 49,596
Developer contributions-in-kind	**40,978**	31,635
Transfer from General Revenue Fund		
Debt and finance	**38,905**	80,776
Other	**1,005**	2,174
Transfers from other City of Winnipeg Funds (Schedule 2)	**46,223**	54,297
Government of Canada capital transfer	**28,668**	9,025
Capital funding recognized (Note 7)	**15,957**	-
Other	**9,754**	7,281
Interest income	**5,591**	5,100
Developer deposit	**1,134**	3,050
	245,499	242,934
EXPENSES		
Amortization	**104,039**	100,302
Grants	**17,486**	11,156
Interest - External debt	**17,254**	20,184
Infrastructure maintenance	**14,126**	9,506
Transfers to other City of Winnipeg Funds (Schedule 2)	**11,823**	7,665
Other	**612**	629
Loss on disposal of tangible capital assets	**117**	805
Interest - Equity in Capital Assets Fund	**-**	28,055
	165,457	178,302
NET SURPLUS FOR THE YEAR	**80,042**	64,632
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**1,812,284**	1,747,652
Transfer from Equity in Capital Assets Fund	**524,756**	-
ACCUMULATED SURPLUS, END OF YEAR (Note 10)	**$ 2,417,082**	$ 1,812,284

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF CASH FLOWS

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

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 80,042**	$ 64,632
Non-cash charges to operations		
Amortization	**104,039**	100,302
Net assets transferred from Sewage Disposal System (Schedule 1)	**-**	(3)
Loss on disposal of tangible capital assets	**117**	805
Working capital from operations	**184,198**	165,736
Net change in working capital	**14,137**	(23,657)
Net change in deferred liabilities, deferred revenue and developer deposits	**12,034**	13,706
	210,369	155,785
FINANCING		
Debt issued	**79,928**	-
Debenture debt retired	**(18,457)**	(17,816)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(5,591)**	(5,100)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(4,702)**	(4,704)
Net (decrease) increase in Equity in Capital Assets Fund debt	**(464,065)**	31,607
Capital loans receivable	**(24,908)**	-
Due from/to General Revenue Fund	**(23,594)**	10,154
Equity transferred from Equity in Capital Assets Fund	**524,756**	-
Other	**8,950**	(5,495)
	72,317	8,646
INVESTING		
Net purchase of capital assets (Schedule 1)	**(284,174)**	(169,951)
Net capital asset settlements and other (Schedule 1)	**-**	3,700
Net proceeds on disposal of tangible capital assets	**1,488**	1,820
	(282,686)	(164,431)
Cash, end of year	**$ -**	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise 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

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) Deferred revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the acquisition and construction of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

e) Contributions of tangible capital assets

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

f) 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.

g) Service concession arrangement

Service concession arrangements are long-term performance-based approaches for procuring public infrastructure, where the City contracts with a private sector partner who assumes a major share of the responsibility for the delivery of the infrastructure. The operator is compensated over the period of the arrangements. The arrangements are governed by a contract that sets out performance standards and mechanisms for adjusting prices. The contract is binding on the parties to the arrangement and obliges the operator to maintain the tangible capital asset on behalf of the City.

In the case of tangible capital assets, where the operator bears the construction risk, the timing of initial recognition of the service concession asset by the City will be when the tangible capital asset is available for productive use.

h) 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.

i) 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.

1. *Significant Accounting Policies (continued)*

j) Debt and finance charges

Tax-supported tangible capital assets, including those financed by debt, 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. On January 1, 2011, the Equity in Capital Assets Fund was consolidated into the General Capital Fund eliminating the internal debt along with the related internal principal and interest.

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. *Due from (to) General Revenue Fund*

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

4. *Accounts Receivable*

	2011	2010
Province of Manitoba	**$ 21,561**	$ 27,735
Government of Canada	**1,637**	10,440
Local improvements - Fairfield Park	**1,619**	1,705
Other	**828**	327
	$ 25,645	$ 40,207

5. *Capital Loans Receivable*

At varying maturities up to the year 2031 with a weighted average interest rate for the year 2011 of 6.53% due from the following:

	2011	2010
Transit System	**$ 20,505**	$ -
General Revenue Fund	**4,309**	-
Golf Course Reserve	**94**	-
	$ 24,908	$ -

In 2010, the capital loans receivable were reported in the Equity in Capital Assets Fund (Note 10).

6. *Accounts Payable and Accrued Liabilities*

	2011	2010
Contractors' holdbacks	**$ 2,483**	$ 3,376
Trade accounts payable	**585**	117
	$ 3,068	$ 3,493

7. *Deferred Revenue Related to Capital Assets*

Deferred revenue related to capital assets represents funding transferred from the General Revenue and the Municipal Accommodations Funds for capital projects approved in the annual adopted capital budget. Revenue is recognized in the year in which the related capital costs are incurred on the project.

	2011	2010
Beginning balance	**$ -**	$ -
Contributions received from:		
General Revenue Fund	**39,222**	-
Municipal Accommodations Fund	**8,675**	-
	47,897	-
Deduct capital funding recognized	**15,957**	-
	$ 31,940	$ -

In 2010, deferred revenue related to capital assets was reported as unallocated equity in the Equity in Capital Assets Fund (Note 10). During 2011, $35.18 million of the unallocated equity was used to fund capital project costs.

8. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2011**	Amount of Debt 2010
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
2011-2051	Nov. 15	4.300	WC	72/2006, 183/2008, and 150/2009	**20,250**	-
					175,750	155,500
Equity in Sinking Fund (Note 8b)					**(119,057)**	(108,764)
Net sinking fund debentures outstanding					**56,693**	46,736

8. *Debt (continued)*

Other long-term debt outstanding

	2011	2010
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.76% (2010 - 4.81%)	**72,443**	90,900
Service concession arrangement obligation (Notes 8c and 11a)	**50,000**	-
Capital lease obligations with varying maturities up to 2038 and a weighted average interest rate of 8.10% (2010 - 8.42%) (Note 8d)	**26,488**	28,438
Canada Mortgage and Housing Corporation ("CMHC") term loan, maturity February 1, 2026, interest rate of 3.72%	**9,678**	-
Equity in Capital Assets Fund debt	**-**	464,065
Other long-term debt	**25,800**	14,900
	$ 241,102	$ 645,039

Debt to be retired over the next five years:

	2012	2013	2014	2015	2016	Thereafter
Sinking fund debentures	$ -	$ 40,000	$ 30,500	$ 55,000	$ -	$ 50,250
Serial and installment debt	19,127	19,831	9,619	4,773	4,773	14,320
Service concession arrangement	423	457	495	536	580	47,509
Capital lease obligations	1,019	1,172	1,262	593	611	21,831
CMHC	493	512	531	551	571	7,020
	$ 21,062	$ 61,972	$ 42,407	$ 61,453	$ 6,535	$ 140,930

a) 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.

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City in a separate fund. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

8. *Debt (continued)*

c) The City has entered into a fixed-price contract with DBF2 Limited Partnership ("DBF2") to design, build, finance and maintain the Chief Peguis Trail Extension. The contract was executed in September 2010 and terminates in January 2042. The Chief Peguis Trail Extension was commissioned for use in 2011.

The $108.5 million project will have been financed through a grant of $23.9 million from PPP Canada, a Provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.9 million. As at December 31, 2011, $97.5 million was capitalized for commissioned works under this service concession arrangement (Note 9). All financing has been placed prior to December 31, 2011 except for $1.7 million from PPP Canada which will be claimed with capital expenses to be incurred in 2012. Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the full $108.5 million project is 4.6%. Specifically, the sinking fund debt and service concession arrangement obligation to DBF2 bear a combined weighted average interest rate of 7.2%.

The City will also make DBF2 a monthly performance-based maintenance payment as disclosed in Note 11.

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

2012	$ 3,018
2013	3,095
2014	3,098
2015	2,336
2016	2,303
thereafter	36,834
Total future minimum lease payments	50,684
Amount representing interest at a weighted average interest rate of 8.10%	(24,196)
Balance of the capital lease obligations	$ 26,488

9. *Tangible Capital Assets*

	2011	2010
Land	**$ 180,986**	$ 169,590
Buildings	**288,459**	277,646
Vehicles	**442**	945
Computer	**27,101**	32,973
Other	**53,868**	45,996
Plants and facilities	**17,148**	14,739
Roads	**959,570**	859,372
Underground and other networks	**763,313**	744,197
Bridges and other structures	**310,916**	304,247
Assets under construction	**51,230**	24,798
	$ 2,653,033	$ 2,474,503

9. Tangible Capital Assets (continued)

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

During the year, there were no write-downs of tangible capital assets (2010 - $nil). Administration fees and interim financing charges capitalized during 2011 were $1.6 million (2010 - $1.9 million). In addition, land, roads and underground networks contributed to the City and recorded in the General Capital Fund totalled $41.0 million in 2011 (2010 - $31.6 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $97.4 million (2010 - $nil) of tangible capital assets that were acquired through service concession arrangements.

10. Accumulated Surplus

Accumulated surplus is comprised of amounts invested in tangible capital assets. Effective January 1, 2011, the Equity in Capital Assets Fund was consolidated into the General Capital Fund. Capital loans between the two funds were eliminated.

11. Commitments

a) Service concession arrangements

(i) The City entered into a fixed-price contract with Plenary Roads Winnipeg GP ("PRW") to design, build, finance and maintain the Disraeli Bridges. The contract was executed in March 2010. The project is currently under construction with commissioning anticipated to be in the fall of 2012. The entire project, including upfront costs beyond the PRW fixed-price contract, is budgeted to be financed through City issued debt of $75.0 million, a $101.2 million service concession arrangement obligation to PRW and cash consideration paid by the City of $18.8 million. Upon commissioning of the project, the City will commence repayment of the service concession agreement obligation to PRW through monthly capital and interest performance-based payments totalling $9.8 million annually over the 30-year contract. The City will also pay PRW over the term of the contract, a monthly performance-based maintenance payment totalling $1.6 million annually, to be adjusted by the Consumer Price Index (CPI). The payment will commence upon commissioning of the project.

(ii) As disclosed in Note 8c, the City will pay DBF2 a monthly performance-based maintenance payment related to the Chief Peguis Trail Extension contract. The monthly payment totalling $1.4 million annually is to be adjusted by CPI, is payable commencing January 2012 until the termination of the contract with DBF2 in January 2042.

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General				
	Land	Buildings	Vehicles	Computer	Other
Cost					
Balance, beginning of year	$ 169,590	$ 491,034	$ 23,258	$ 95,819	$ 74,307
Add: Additions during the year	12,542	29,292	-	3,026	14,322
Add: Transferred from Sewage Disposal System	-	-	-	-	-
Less: Disposals during the year	1,146	355	1,256	-	-
Settlements and other	-	-	-	-	-
Balance, end of year	180,986	519,971	22,002	98,845	88,629
Accumulated amortization					
Balance, beginning of year	-	213,388	22,313	62,846	28,311
Add: Amortization	-	18,310	438	8,898	6,450
Less: Accumulated amortization on disposals	-	186	1,191	-	-
Balance, end of year	-	231,512	21,560	71,744	34,761
Net Book Value of Tangible Capital Assets	$ 180,986	$ 288,459	$ 442	$ 27,101	$ 53,868

Infrastructure					Totals	
Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	**2011**	2010
$ 20,757	$ 1,688,797	$ 1,094,591	$ 510,016	$ 24,798	**$ 4,192,967**	$ 4,060,544
2,771	145,454	34,089	16,246	26,432	**284,174**	169,951
-	-	-	-	-	**-**	3
-	632	-	-	-	**3,389**	33,831
-	-	-	-	-	**-**	(3,700)
23,528	1,833,619	1,128,680	526,262	51,230	**4,473,752**	4,192,967
6,018	829,425	350,394	205,769	-	**1,718,464**	1,649,368
362	45,031	14,973	9,577	-	**104,039**	100,302
-	407	-	-	-	**1,784**	31,206
6,380	874,049	365,367	215,346	-	**1,820,719**	1,718,464
$ 17,148	$ 959,570	$ 763,313	$ 310,916	$ 51,230	**$ 2,653,033**	$ 2,474,503

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

Schedule 2

SCHEDULE OF TRANSFERS BETWEEN CITY OF WINNIPEG FUNDS

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

	2011	2010
TRANSFERS FROM OTHER CITY OF WINNIPEG FUNDS		
Federal Gas Tax Revenue Reserve	**$ 24,950**	$ 26,686
General Purpose Reserve	**5,894**	1,700
Equipment and Material Services Fund	**5,602**	2,732
Municipal Accommodations Fund (Note 7)	**4,739**	-
Sewer System Rehabilitation Reserve	**2,350**	2,714
Transit System	**1,245**	-
Land Operating Reserve	**858**	299
Economic Development Investment Reserve	**230**	-
Waterworks System	**148**	-
Sewage Disposal System	**95**	3,312
General Revenue Enterprise Fund	**86**	-
Golf Course Reserve	**26**	-
Civic Accommodations Fund	**-**	10,385
Building Services Fund	**-**	6,066
Contributions in Lieu of Land Dedication Reserve	**-**	403
	$ 46,223	$ 54,297
TRANSFERS TO OTHER CITY OF WINNIPEG FUNDS		
General Purpose Reserve	**$ 8,000**	$ -
Municipal Accommodations Fund	**2,677**	-
Sewage Disposal System	**1,000**	-
Land Operating Reserve	**110**	653
General Revenue Fund	**36**	-
Equity in Capital Assets Fund	**-**	7,000
Waterworks System	**-**	12
	$ 11,823	$ 7,665

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

The purpose of the Financial Stabilization Reserve Fund is to counteract the budgetary effect of fluctuations from year to year in property and business taxes and/or to fund deficits in the General Revenue Fund, which assist in the stabilization of the City's mill rate and/or property tax requirements.

History:

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

On March 20, 1997, City Council approved the “Fiscal Stability Plan” which included the renaming of the Future Tax Levies Reserve Fund to the Fiscal Stabilization Reserve Fund and the creation of the Mill Rate Stabilization Reserve Fund (with initial funding from a portion of the former Future Tax Levies Reserve Fund). Rules regarding the sources of funds, purposes and utilization of funds were established for each Reserve.

On December 13, 2000, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would 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.

On April 25, 2001, City Council adopted the "Financial Management Plan". By 2009, this established a 10% minimum target of tax-supported (General Revenue Fund) expenditures for the Stabilization Reserves.

A review of Reserves followed the "Financial Management Plan’s" adoption and, on May 23, 2001, City Council amended the rules for the Stabilization Reserves.

On March 22, 2005, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset variances between the revenue projections for net supplementary taxes used in the budget and the actual amounts reported.

On March 23, 2011, City Council adopted the "Financial Management Plan" which revised the target for the two Stabilization Reserves to a minimum of 8% of tax-supported expenditures.

On September 28, 2011, City Council adopted the combining of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds into the Financial Stabilization Reserve Fund. All previous regulations for the two Stabilization Reserves were replaced with the following:

- Sources of funding for the Reserve are: the excess of actual total taxes billed compared to budget; surpluses in the General Revenue Fund; unspent amounts in the Commitment Reserve Fund; and interest revenue.

- The Reserve can be used to fund any shortfall of actual total taxes billed compared to budget; major unforeseen expenditures once the target level is exceeded and subject to rules noted below; General Revenue Fund year-end deficits and subject to rules noted below; and one-time expenditures once the target level has been reached.

- No transfers can be made to the General Revenue Fund to fund ongoing current operations.

- Funds above the 8% target may be used for major unforeseen expenditures and General Revenue Fund deficits. Accessing funding in any given year requires City Council approval if the required amount would reduce the Reserve's balance below the 8% target.

- A replenishment plan shall be adopted by City Council if the Financial Stabilization Reserve Fund's equity is reduced below the 8% target of tax-supported expenditures.

The City Treasurer is the Fund Manager.

FIVE-YEAR REVIEW

December 31
(in thousands of dollars)
(unaudited)

	2011	2010	2009	2008	2007
General Revenue Fund's adopted budget expense	**$ 847,324**	$ 817,686	$ 788,730	$ 767,622	$ 741,242
Equity (1)	**$ 85,305**	$ 81,582	$ 78,397	$ 84,680	$ 78,619
Level (2)	**10.1%**	10.0%	9.9%	11.0%	10.6%
Over/(under) target (3)	**$ 17,519**	$ (187)	$ (476)	$ 7,918	$ 4,495

(1) The 2007 - 2010 figures represent the combined equity of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds.

(2) Level represents the Reserve's equity as a percentage of the General Revenue Fund's adopted budget expenditures.

(3) The residual values for 2007 - 2010 is based on the Reserve's equity which is over/(under) 10% of the General Revenue Fund's adopted budget expenditures. For 2011, the target dropped to 8%.

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

STATEMENT OF FINANCIAL POSITION

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

	2011	2010
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 85,305**	$ 81,582
EQUITY		
Unallocated	**$ 85,305**	$ 81,582

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

STATEMENT OF CHANGES IN EQUITY

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

	2011	2010
Balance, beginning of year	**$ 81,582**	$ 78,397
Add:		
Interest earned	**2,368**	1,486
Net realty taxes added to the assessment roll	**1,577**	1,811
Transfer from Commitment Reserve	**26**	124
	3,971	3,421
Deduct:		
Transfer to General Revenue Fund - investment management fee	**248**	236
Balance, end of year	**$ 85,305**	$ 81,582

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(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 Financial Stabilization Reserve Fund follows the fund basis of reporting. The Fund is 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.

2. *Status of the Financial Stabilization Reserve*

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

On March 20, 1997, City Council approved the “Fiscal Stability Plan” which included the renaming of the Future Tax Levies Reserve Fund to the Fiscal Stabilization Reserve Fund and the creation of the Mill Rate Stabilization Reserve Fund (with initial funding from a portion of the former Future Tax Levies Reserve Fund). Rules regarding the sources of funds, purposes and utilization of funds were established for each Reserve.

On December 13, 2000, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would 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.

On April 25, 2001, City Council adopted the "Financial Management Plan". By 2009, this established a 10% minimum target of tax-supported (General Revenue Fund) expenditures for the Stabilization Reserves.

A review of Reserves followed the "Financial Management Plan’s" adoption and, on May 23, 2001, City Council amended the rules for the Stabilization Reserves.

On March 22, 2005, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset variances between the revenue projections for net supplementary taxes used in the budget and the actual amounts reported.

On March 23, 2011, City Council adopted the "Financial Management Plan" which revised the target for the two Stabilization Reserves to a minimum of 8% of tax-supported expenditures.

2. *Status of the Financial Stabilization Reserve (continued)*

On September 28, 2011, City Council adopted the combining of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds into the Financial Stabilization Reserve Fund. All previous regulations for the two Stabilization Reserves were replaced with the following:

- Sources of funding for the Reserve are: the excess of actual total taxes billed compared to budget; surpluses in the General Revenue Fund; unspent amounts in the Commitment Reserve Fund; and interest revenue.

- The Reserve can be used to fund any shortfall of actual total taxes billed compared to budget; major unforeseen expenditures once the target level is exceeded and subject to rules noted below; General Revenue Fund year-end deficits and subject to rules noted below; and one-time expenditures once the target level has been reached.

- No transfers can be made to the General Revenue Fund to fund ongoing current operations.

- Funds above the 8% target may be used for major unforeseen expenditures and General Revenue Fund deficits. Accessing funding in any given year requires City Council approval if the required amount would reduce the Reserve's balance below the 8% target.

- A replenishment plan shall be adopted by City Council if the Financial Stabilization Reserve Fund's equity is reduced below the 8% target of tax-supported expenditures.

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, 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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

4. *Comparative Figures*

The 2010 comparative figures are the consolidation of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds.

PHOTO: Downtown Winnipeg BIZ, courtesy Tourism Winnipeg

THE CITY OF WINNIPEG
CAPITAL RESERVES

The City of Winnipeg ("the City") operates twelve Capital Reserves to account for the use of designated revenue for specific purposes. The twelve 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. From 1974 through to 2008, the City used a frontage levy to fund water main renewals.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, frontage levy revenue collected on property taxes would be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the sources of funding for the Water Main Renewal Reserve Fund are revenues from water rates, which are transferred from the Waterworks System Fund, and interest.

The Director of Water and Waste is the Fund Manager.

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. These Reserves were established for the renewal and rehabilitation of combined sewers and wastewater sewers, respectively, with funding 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 was 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.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, current and future sources of funding for the Sewer System Rehabilitation Reserve Fund are revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest.

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 Fund to more accurately reflect the nature of the projects reported in this Reserve.

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, CSO mitigation infrastructure and biosolids.

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 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 fine, replacement fee, room rental, non-resident and photocopy fee revenues be realized in the reserve. Since 2000, through the annual budget process, City Council has approved reduced transfers to the Fund to help the City maintain mill rate support levels.

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.

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 Director of Corporate Support Services 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 Reserve was 2003.

On March 22, 2011, City Council approved the wind-up of the Reserve with the remaining equity being transferred to the Waterworks System Fund.

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.

Federal Gas Tax Revenue Reserve Fund (continued)

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.

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 Public Works is the Fund Manager.

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, and the agreement is in effect until March 31, 2010.

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, 2011. 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. The fund has been fully depleted as of December 31, 2010.

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

The Director of Transit is the Fund Manager.

Rapid Transit Infrastructure Reserve Fund

On March 26, 2008, City Council approved that a Rapid Transit Infrastructure Reserve Fund be established, and that the purpose of the Reserve be to accumulate funds and subsequently to expend on future costs incurred on account of public transit infrastructure, including the construction of rapid transit corridors contemplated in the future.

On October 22, 2008, City Council approved that the purpose of the Rapid Transit Infrastructure Reserve be revised to accumulate funds and subsequently expend on costs incurred on account of public transit infrastructure, including the operation and construction of the rapid transit infrastructure, structures and facilities, development, and other related costs including bus purchases, technology, personnel, and land acquisition.

The Director of Transit is the Fund Manager.

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW

December 31
("$" amounts in thousands of dollars)
(unaudited)

	2011	2010	2009	2008	2007
Water Main Renewal Reserve Fund					
Frontage levy revenue	**$ -**	$ -	$ -	$ 7,063	$ 7,002
Water main renewals funded	**$ 13,316**	$ 11,244	$ 9,437	$ 7,769	$ 6,470
Kilometres of water mains	**2,531**	2,543	2,519	2,485	2,464
Water main repairs	**571**	328	433	514	691
Sewer System Rehabilitation Reserve Fund					
Frontage levy revenue	**$ -**	$ 1,100	$ 7,500	$ 20,352	$ 19,096
Sewer renewals funded	**$ 14,899**	$ 15,854	$ 16,874	$ 13,765	$ 17,376
Kilometres of sewers	**2,548**	2,521	2,511	2,484	2,473
Kilometres of sewers renewed	**1.15**	0.73	9.40	12.13	15.59
Environmental Projects Reserve Fund					
Transfer from Sewage Disposal System	**$ 13,822**	$ 11,993	$ 9,737	$ 7,367	$ 8,006
Transfer to Sewage Disposal System - capital projects	**$ 7,088**	$ 5,088	$ 5,462	$ 18,646	$ 19,294
Brady Landfill Site Rehabilitation Reserve Fund					
Transfer from Solid Waste Disposal	**$ 189**	$ 171	$ 175	$ 175	$ 174
Golf Course Reserve Fund					
Equity	**$ 1,185**	$ 1,145	$ 1,087	$ 1,037	$ 1,951
Library Reserve Fund					
Transfer from General Revenue Fund	**$ -**	$ 130	$ 214	$ -	$ 279
Transit Bus Replacement Reserve Fund					
Transfer from/(to) Transit System, net	**$ 528**	$ (3,767)	$ (5,102)	$ 4,732	$ 4,197
Number of buses financed	**28**	35	63	33	12

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW (continued)

December 31
("$" amounts in thousands of dollars)
(unaudited)

	2011	2010	2009	2008	2007
Computer Replacement Reserve Fund					
Allocation of equity:					
Corporate Support Services *	**$ 846**	$ 285	$ 289	$ 191	$ 226
Community Services	**226**	273	274	228	336
Public Works	**164**	132	114	226	291
Planning, Property and Development	**92**	188	211	200	217
Audit	**3**	10	10	10	9
Corporate Finance	**3**	2	801	929	971
Chief Administrative Offices	**1**	1	1	1	3
Mayor's Office	**-**	-	6	5	4
EPC Secretariat	**-**	-	-	7	10
	$ 1,335	$ 891	$ 1,706	$ 1,797	$ 2,067
Aqueduct Rehabilitation Reserve Fund					
Transfer to Waterworks System - capital projects	**$ 300**	$ 3	$ 10	$ 84	$ 38
Federal Gas Tax Revenue Reserve Fund					
Government of Canada funding	**$ 40,453**	$ 40,452	$ 41,067	$ 20,533	$ 16,427
Transfer to General Capital Fund	**$ 24,950**	$ 26,686	$ 25,355	$ 17,460	$ 16,865
Transfer to Sewage Disposal System - capital projects	**$ -**	$ -	$ -	$ -	$ 1,726
Transfer to Transit System - capital projects	**$ 3,223**	$ 490	$ 4,376	$ 2,056	$ 1,344
Public Transit Reserve Fund					
Government of Canada funding	**$ -**	$ -	$ -	$ -	$ 24,790
Transfer to Transit System - capital projects	**$ -**	$ 10,627	$ 21,159	$ 6,150	$ 2,682
Rapid Transit Infrastructure Reserve Fund					
Transfer from/(to) Transit System, net	**$ 3,480**	$ 537	$ 4,250	$ 2,750	$ -

* In 2008, the Corporate Information Technology and Corporate Services departments were amalgamated and renamed the Corporate Support Services department.

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Water Main Renewal Reserve	Sewer System Rehabilitation Reserve	Environmental Projects Reserve	Brady Landfill Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ 2,119	$ 31,801	$ 45,547	$ 1,113
Call loans - General Revenue Fund (Note 4)	-	-	-	130
Accounts receivable	-	-	-	21
	2,119	31,801	45,547	1,264
Investments (Note 5)	-	-	-	3,028
Due from Golf Services - Special Operating Agency (Note 6)	-	-	-	-
	$ 2,119	$ 31,801	$ 45,547	$ 4,292
LIABILITIES				
Deferred revenue	$ -	$ -	$ -	$ -
Debt (Note 7)	-	-	-	-
	-	-	-	-
EQUITY				
Allocated	2,075	31,801	45,547	4,292
Unallocated	44	-	-	-
	2,119	31,801	45,547	4,292
	$ 2,119	$ 31,801	$ 45,547	$ 4,292

See accompanying notes to the financial statements

	Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Computer Replacement Reserve	Aqueduct Rehabilitation Reserve	Federal Gas Tax Reserve	Sub-total
	$ 268	$ 640	$ 8,655	$ 1,335	$ -	$ 40,044	$ 131,522
	-	-	-	-	-	-	130
	-	-	-	-	-	-	21
	268	640	8,655	1,335	-	40,044	131,673
	-	-	-	-	-	-	3,028
	1,011	-	-	-	-	-	1,011
	$ 1,279	$ 640	$ 8,655	$ 1,335	$ -	$ 40,044	$ 135,712
	$ -	$ -	$ -	$ -	$ -	$ 39,049	$ 39,049
	94	-	-	-	-	-	94
	94	-	-	-	-	39,049	39,143
	-	-	9,036	1,335	-	995	95,081
	1,185	640	(381)	-	-	-	1,488
	1,185	640	8,655	1,335	-	995	96,569
	$ 1,279	$ 640	$ 8,655	$ 1,335	$ -	$ 40,044	$ 135,712

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-total Brought Forward	Public Transit Reserve	Transit Infrastructure Reserve	Totals 2011
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ 131,522	$ -	$ 11,147	$ 142,669
Call loans - General Revenue Fund (Note 4)	130	-	-	130
Accounts receivable	21	-	-	21
	131,673	-	11,147	142,820
Investments (Note 5)	3,028	-	-	3,028
Due from Golf Services - Special Operating Agency (Note 6)	1,011	-	-	1,011
	$ 135,712	$ -	$ 11,147	$ 146,859
LIABILITIES				
Deferred revenue	$ 39,049	$ -	$ -	$ 39,049
Debt (Note 7)	94	-	-	94
	39,143	-	-	39,143
EQUITY				
Allocated	95,081	-	4,242	99,323
Unallocated	1,488	-	6,905	8,393
	96,569	-	11,147	107,716
	$ 135,712	$ -	$ 11,147	$ 146,859

See accompanying notes to the financial statements

Totals 2010
$ 100,203
32
20,243
120,478
2,711
1,072
$ 124,261
$ 26,770
115
26,885
86,984
10,392
97,376
$ 124,261

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	Environmental Projects Reserve	Brady Landfill Reserve
Balance, beginning of year	**$ 2,404**	**$ 33,316**	**$ 38,544**	**$ 3,677**
Add:				
Government of Canada transfers	**-**	**-**	**-**	**-**
Transfer from Sewage Disposal System	**-**	**13,200**	**13,822**	**-**
Transfer from Waterworks System	**13,000**	**-**	**-**	**-**
Transfer from Transit System	**-**	**-**	**-**	**-**
Interest earned	**45**	**269**	**393**	**394**
Transfer from General Revenue Fund	**-**	**-**	**-**	**-**
Transfer from Solid Waste Disposal	**-**	**-**	**-**	**189**
Transfer from Municipal Accommodations	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**44**
Frontage levy	**-**	**-**	**-**	**-**
Transfer from Building Services	**-**	**-**	**-**	**-**
	13,045	**13,469**	**14,215**	**627**
Deduct:				
Transfer to General Capital Fund	**-**	**2,350**	**-**	**-**
Transfer to Sewage Disposal System	**-**	**12,549**	**7,088**	**-**
Transfer to Waterworks System	**13,316**	**-**	**-**	**-**
Transfer to Transit System	**-**	**-**	**-**	**-**
Purchase of equipment	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**14**	**85**	**124**	**12**
Other	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund	**-**	**-**	**-**	**-**
	13,330	**14,984**	**7,212**	**12**
Balance, end of year	**$ 2,119**	**$ 31,801**	**$ 45,547**	**$ 4,292**

See accompanying notes to the financial statements

Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Computer Replacement Reserve	Aqueduct Rehabilitation Reserve	Federal Gas Tax Reserve	Sub-total
$ 1,145	$ 656	$ 8,063	$ 891	$ 298	$ 780	$ 89,774
-	-	-	-	-	28,174	28,174
-	-	-	-	-	-	27,022
-	-	-	-	-	-	13,000
-	-	8,084	-	-	-	8,084
66	6	93	12	3	222	1,503
-	-	-	662	-	-	662
-	-	-	-	-	-	189
-	-	-	91	-	-	91
-	-	-	-	-	-	44
-	-	-	-	-	-	-
-	-	-	-	-	-	-
66	6	8,177	765	3	28,396	78,769
26	-	-	-	-	24,950	27,326
-	-	-	-	-	-	19,637
-	-	-	-	300	-	13,616
-	-	7,556	-	-	3,223	10,779
-	20	-	317	-	-	337
-	2	29	4	1	-	271
-	-	-	-	-	8	8
-	-	-	-	-	-	-
26	22	7,585	321	301	28,181	71,974
$ 1,185	$ 640	$ 8,655	$ 1,335	$ -	$ 995	$ 96,569

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	Public Transit Reserve	Transit Infrastructure Reserve	Totals 2011
Balance, beginning of year	$ 89,774	$ -	$ 7,602	$ 97,376
Add:				
Government of Canada transfers	28,174	-	-	28,174
Transfer from Sewage Disposal System	27,022	-	-	27,022
Transfer from Waterworks System	13,000	-	-	13,000
Transfer from Transit System	8,084	-	4,250	12,334
Interest earned	1,503	-	94	1,597
Transfer from General Revenue Fund	662	-	-	662
Transfer from Solid Waste Disposal	189	-	-	189
Transfer from Municipal Accommodations	91	-	-	91
Other	44	-	-	44
Frontage levy	-	-	-	-
Transfer from Building Services	-	-	-	-
	78,769	-	4,344	83,113
Deduct:				
Transfer to General Capital Fund	27,326	-	-	27,326
Transfer to Sewage Disposal System	19,637	-	-	19,637
Transfer to Waterworks System	13,616	-	-	13,616
Transfer to Transit System	10,779	-	770	11,549
Purchase of equipment	337	-	-	337
Transfer to General Revenue Fund - investment management fee	271	-	29	300
Other	8	-	-	8
Transfer to General Revenue Fund	-	-	-	-
	71,974	-	799	72,773
Balance, end of year	$ 96,569	$ -	$ 11,147	$ 107,716

See accompanying notes to the financial statements

Totals 2010
$ 98,329
35,633
23,993
12,000
11,216
694
454
171
-
2
1,100
11
85,274
29,400
18,228
11,247
25,563
451
231
228
879
86,227
$ 97,376

THE CITY OF WINNIPEG
CAPITAL RESERVES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise 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
Sewer System Rehabilitation Reserve Fund
Environmental Projects Reserve Fund
Brady Landfill Site Rehabilitation Reserve Fund
Golf Course Reserve Fund
Library Reserve Fund
Transit Bus Replacement Reserve Fund
Computer Replacement Reserve Fund
Aqueduct Rehabilitation Reserve Fund
Federal Gas Tax Revenue Reserve Fund
Public Transit Reserve Fund
Rapid Transit Infrastructure 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

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.

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.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, frontage levy revenue collected from property taxes would be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the sources of funding for the Water Main Renewal Reserve Fund are revenues from water rates, which are transferred from the Waterworks System Fund, and interest.

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 provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

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.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, current and future sources of funding for the Sewer System Rehabilitation Reserve Fund are revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest.

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 funded by this Reserve.

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, CSO mitigation infrastructure and biosolids.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2011 sewer rate includes a provision of 0.2207 cents (2010 - 0.1765 cents) per cubic meter 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 (2010 - 50 cents) per tonne for each tonne disposed at the 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 fine, replacement fee, room rental, non-resident and photocopy fee 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)*

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 Director of Corporate Support Services 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.

On March 22, 2011, City Council approved the wind-up of the Reserve with the remaining equity being transferred to the Waterworks System Fund.

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 a Federal Gas Tax Revenue Reserve Fund. The purpose of this 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 Public Works 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, and the agreement is in effect until March 31, 2010.

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, 2011. 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. The fund has been fully depleted as of December 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.

Rapid Transit Infrastructure Reserve Fund

On March 26, 2008, City Council approved that a Rapid Transit Infrastructure Reserve Fund be established, and that the purpose of the Reserve be to accumulate funds and subsequently to expend on future costs incurred on account of public transit infrastructure, including the construction of rapid transit corridors contemplated in the future.

On October 22, 2008, City Council approved that the purpose of the Rapid Transit Infrastructure Reserve Fund be revised to accumulate funds and subsequently expend on costs incurred on account of public transit infrastructure, including the operation and construction of the rapid transit infrastructure, structures and facilities, development, and other related costs including bus purchases, technology, personnel, and land acquisition.

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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

4. Call Loans - General Revenue Fund

Call loans represent short-term investments with the General Revenue Fund 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.

5. Investments

	2011	2010
Marketable securities		
Government of Canada bonds	**$ -**	$ 1,495
Provincial bonds and bond coupons	**1,496**	703
Municipal bonds	**1,532**	513
	$ 3,028	$ 2,711

The aggregate market value of marketable securities at December 31, 2011 was $3,624 thousand (2010 - $3,019 thousand).

6. Due from Golf Services - Special Operating Agency

	2011	2010
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	**$ 19**	$ 27
- 2005	**27**	35
- 2006	**54**	66
- 2007	**140**	164
- 2008	**204**	231
- 2009	**10**	11
- 2010	**231**	253
- 2011	**46**	50
- 2012	**235**	235
- 2013	**45**	-
	$ 1,011	$ 1,072

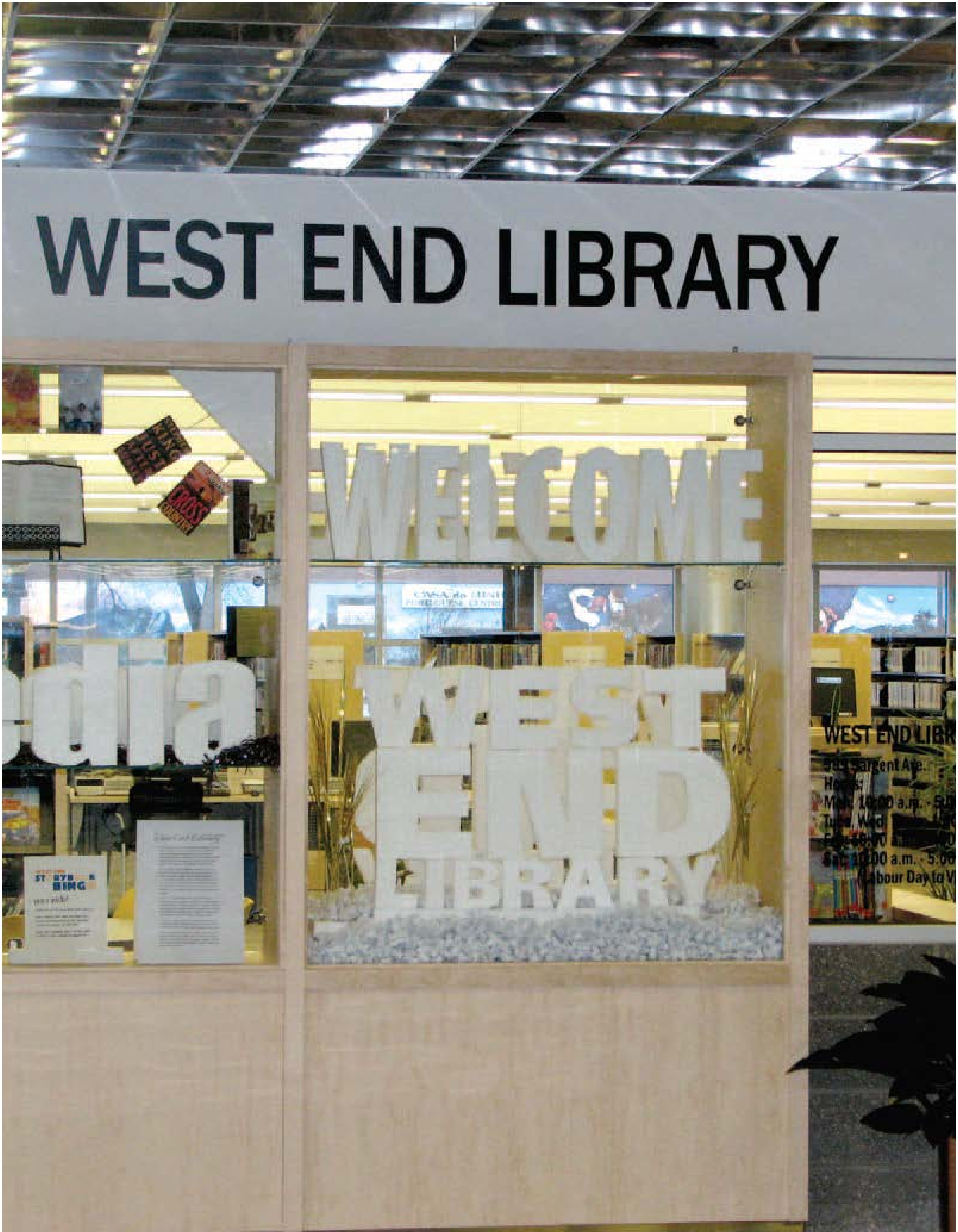
Included in interest earned is $66 thousand (2010 - $58 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.

7. Debt

	2011	2010
General Capital Fund (formerly the Equity in Capital Assets Fund) debt issued by the City, maturing in 2015 with an interest rate of 4.0%	**$ 94**	$ 115

Debt to be retired over the next four years:

2012	$ 22
2013	23
2014	24
2015	25
	$ 94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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 the 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)

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 amongst 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 amongst 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 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

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.

With the adoption of the 2006 tax-supported budget, City Council approved a specific sub-component of the Recreation Programming Reserve dedicated to the annual extension of the regularly scheduled wading pool and outdoor pool season. At that time, cost based on ideal conditions was estimated at $490,000. Adjustments are made to the annual transfer from the General Revenue Fund to ensure that the cap is not exceeded.

The Director of Community Services is the Fund Manager.

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.

On December 14, 2004, City Council approved the establishment of a new Snow Clearing Reserve with the same purpose and guidelines as the former Reserve (established on March 22, 1995) with the exception that City Council may, at its discretion, approve a transfer from the Reserve to cover snow clearing costs greater than or other than as stipulated by the Reserve. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. The Reserve balance should never exceed $10.9 million.

On March 26, 2008, City Council further approved that the former restrictions on charges to the Snow Clearing Reserve in any one year be rescinded, and that no minimum balance be required (previously set at $5.0 million) before any charges can be made to the Reserve. The Director of Public Works 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 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 Financial Stabilization Reserve Fund (formerly 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 than 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 Financial 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 from projects financed by the Fund.

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.

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.

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.

Assiniboine Park Enterprise Reserve Fund (continued)

The Assiniboine Park Enterprise Reserve Fund was dissolved in 2011 as the Assiniboine Park Conservancy Inc. assumed the management of Assiniboine Park effective January 1, 2011.

The Director of Community Services was 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 the new Fund be 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".

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 of Winnipeg experiences above average response levels. The Reserve is funded through an annual transfer from the operating budget and any year end unexpended insect control mill rate support budget. 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 Public Works 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.

On March 22, 2011, City Council approved the cap be revised to $2.0 million and any surplus funds above the cap be transferred to the Planning, Property and Development department that is reported in the General Revenue Fund.

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

Destination Marketing Reserve Fund

On October 22, 2008, City Council approved the creation of the Destination Marketing Reserve Fund with an effective date of January 1, 2009. The purpose of the Reserve is to support Economic Development Winnipeg Inc., The Convention Centre Corporation and special events including other organizations, projects and events that will encourage tourists to visit Winnipeg. The source of revenue for the Reserve is a 5% accommodation tax, which was adopted by City Council on April 23, 2008.

The Chief Financial Officer is the Fund Manager.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW

December 31
("$" amounts in thousands of dollars)
(unaudited)

	2011	2010	2009	2008	2007
Workers Compensation Reserve Fund					
Call loans - General					
Revenue Fund	**$ 2,882**	$ 2,758	$ 1,183	$ 3,500	$ 2,966
Investments	**$ 999**	$ -	$ 1,990	$ -	$ 1,999
Interest earned	**$ 27**	$ 18	$ 13	$ 146	$ 341
Brookside Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	**$ 426**	$ 1,263	$ 1,334	$ (174)	$ 158
Investments	**$ 12,340**	$ 11,193	$ 10,617	$ 11,649	$ 10,178
Interest earned	**$ 606**	$ 741	$ 533	$ 396	$ 327
St. Vital Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	**$ 136**	$ 100	$ 51	$ 7	$ 41
Investments	**$ 649**	$ 635	$ 655	$ 669	$ 635
Interest earned	**$ 52**	$ 29	$ 33	$ 32	$ 65
Transcona Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	**$ 88**	$ 95	$ 62	$ 28	$ 31
Investments	**$ 464**	$ 423	$ 436	$ 445	$ 432
Interest earned	**$ 37**	$ 19	$ 23	$ 21	$ 32
Insurance Reserve Fund					
Call loans - General					
Revenue Fund	**$ 4,103**	$ 2,527	$ (238)	$ (124)	$ 3,364
Investments	**$ 999**	$ 926	$ 1,842	$ 1,858	$ 4,574
Interest earned	**$ 39**	$ 65	$ 80	$ 165	$ 394
Contributions in Lieu of Land Dedication Reserve Fund					
Cash dedications revenue	**$ 707**	$ 289	$ 2,564	$ 776	$ 596
Interest earned	**$ 45**	$ 27	$ 15	$ 115	$ 172
Park improvement expenses	**$ 416**	$ 858	$ 693	$ 1,161	$ 712
Land Operating Reserve Fund					
Number of properties sold	**37**	70	96	125	143
Number acquired - tax sale	**4**	-	-	7	19
Number exchanged	**-**	2	1	1	2
Recreation Programming Reserve Fund					
Transfer from					
General Revenue Fund	**$ 490**	$ 330	$ 447	$ -	$ 159
Total expenses	**$ 271**	$ 338	$ 452	$ 41	$ 329
Number approved					
Programs/Projects	**4**	11	2	5	9

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

December 31
("$" amounts in thousands of dollars)
(unaudited)

	2011	2010	2009	2008	2007
Snow Clearing Reserve Fund					
Transfer (to)/from					
General Revenue Fund	**$ -**	$ -	$ (4,370)	$ 4,361	$ -
Commitment Reserve Fund					
Allocation of equity:					
Corporate and other	**$ 961**	$ 355	$ 837	$ 455	$ 697
Police Service	**882**	-	94	441	-
Fire Paramedic Services	**239**	300	157	462	1,817
Public Works	**135**	-	-	365	-
Community Services	**128**	414	361	1,068	28
Corporate Support Services	**-**	-	1,208	1,390	164
Planning, Property and Development	**-**	-	155	563	1,670
Assessment and Taxation	**-**	-	75	-	109
	$ 2,345	$ 1,069	$ 2,887	$ 4,744	$ 4,485
Heritage Investment Reserve Fund					
Municipal realty tax revenue	**$ 1,199**	$ 1,031	$ 1,211	$ 1,011	$ 971
Housing Rehabilitation Investment Reserve Fund					
Grant expense	**$ 919**	$ 808	$ 825	$ 1,045	$ 785
Economic Development Investment Reserve Fund					
Municipal realty tax revenue	**$ 263**	$ 87	$ 7	$ 133	$ 391
Assiniboine Park Enterprise Reserve Fund					
Animals sold	**-**	184	113	78	59
Animals purchased	**-**	1	18	12	72
Exhibits	**-**	144	144	144	144
Zoo attendance (persons)	**-**	377,684	356,282	363,865	350,848
General Purpose Reserve Fund					
Net transfer from (to) General Revenue Fund	**$ 1,700**	$ (5,283)	$ 8,993	$ 2,560	$ -
Net transfer from (to) General Capital Fund	**$ 2,106**	$ (1,700)	$ 12	$ (1,535)	$ (2,289)
Grants	**$ -**	$ -	$ -	$ 4,900	$ -
Interest earned	**$ 63**	$ 69	$ 23	$ 236	$ 574
Multiple-Family Dwelling Tax Investment Reserve Fund					
Municipal realty tax revenue	**$ 2,259**	$ 1,793	$ 941	$ 1,192	$ 178
Interest earned	**$ 38**	$ 14	$ 8	$ 21	$ 29

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

December 31
("$" amounts in thousands of dollars)
(unaudited)

	2011	2010	2009	2008	2007
Insect Control Urgent Expenditures Reserve Fund					
Net transfer from (to) General Revenue Fund	**$ 2,323**	$ 112	$ (321)	$ (1,198)	$ 1,202
Permit Reserve Fund					
Net transfer (to) from General Revenue Fund	**$ (769)**	$ 1,686	$ (391)	$ (953)	$ 2,358
Destination Marketing Reserve Fund					
Accommodation tax revenue	**$ 7,585**	$ 7,053	$ 6,820	$ -	$ -
Grants expense:					
Economic Development Winnipeg Inc.	**$ 2,606**	$ 2,638	$ 3,060	$ -	$ -
The Convention Centre Corporation Inc.	**2,415**	1,500	1,500	-	-
	$ 5,021	$ 4,138	$ 4,560	$ -	$ -

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Transcona Cemetery Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ -	$ -	$ -	$ -
Call loans - General Revenue Fund (Note 4)	2,882	426	136	88
Accounts receivable	2	178	9	6
Prepaid expenses	-	-	-	-
Land held for resale	-	-	-	-
	2,884	604	145	94
Investments (Note 5)	999	12,340	649	464
Deferred charges	-	-	-	-
	$ 3,883	$ 12,944	$ 794	$ 558
LIABILITIES				
Current				
Accounts payable	$ -	$ -	$ -	$ -
Due to Winnipeg Parking Authority - SOA	-	-	-	-
	-	-	-	-
EQUITY				
Contributed surplus (Note 6)	-	-	-	-
Allocated	-	-	-	-
Unallocated	3,883	12,944	794	558
	3,883	12,944	794	558
	$ 3,883	$ 12,944	$ 794	$ 558

See accompanying notes to the financial statements

Insurance Reserve	Land Dedication Reserve	Land Operating Reserve	Recreation Programming Reserve	Snow Clearing Reserve	Sub-Total
$ -	$ 4,800	$ 15,873	$ 273	$ -	$ 20,946
4,103	-	-	-	-	7,635
1	-	2,054	-	-	2,250
-	-	-	-	-	-
-	-	12,365	-	-	12,365
4,104	4,800	30,292	273	-	43,196
999	-	4,102	-	-	19,553
-	-	45	-	-	45
$ 5,103	$ 4,800	$ 34,439	$ 273	$ -	$ 62,794
$ -	$ -	$ 5,113	$ -	$ -	$ 5,113
-	-	10,000	-	-	10,000
-	-	15,113	-	-	15,113
-	-	8,425	-	-	8,425
-	-	(2)	-	-	(2)
5,103	4,800	10,903	273	-	39,258
5,103	4,800	10,901	273	-	39,256
$ 5,103	$ 4,800	$ 34,439	$ 273	$ -	$ 62,794

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-Total Brought Forward	Commitment Reserve	Heritage Investment Reserve	Housing Rehabilitation Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ 20,946	$ 2,345	$ 4,725	$ 2,355
Call loans - General Revenue Fund (Note 4)	7,635	-	-	-
Accounts receivable	2,250	-	743	-
Prepaid expenses	-	-	-	-
Land held for resale	12,365	-	-	-
	43,196	2,345	5,468	2,355
Investments (Note 5)	19,553	-	-	-
Deferred charges	45	-	-	-
	$ 62,794	$ 2,345	$ 5,468	$ 2,355
LIABILITIES				
Current				
Accounts payable	$ 5,113	$ -	$ -	$ -
Due to Winnipeg Parking Authority - SOA	10,000	-	-	-
	15,113	-	-	-
EQUITY				
Contributed surplus (Note 6)	8,425	-	-	-
Allocated	(2)	-	-	-
Unallocated	39,258	2,345	5,468	2,355
	39,256	2,345	5,468	2,355
	$ 62,794	$ 2,345	$ 5,468	$ 2,355

See accompanying notes to the financial statements

Economic Development Reserve	Assiniboine Park Enterprise Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Insect Control Reserve	Sub-Total
$ 1,774	$ -	$ 11,063	$ 4,683	$ 2,833	$ 50,724
-	-	-	-	-	7,635
-	-	-	-	-	2,993
-	-	-	-	-	-
-	-	-	-	-	12,365
1,774	-	11,063	4,683	2,833	73,717
-	-	-	-	-	19,553
-	-	-	-	-	45
$ 1,774	$ -	$ 11,063	$ 4,683	$ 2,833	$ 93,315
$ -	$ -	$ -	$ -	$ -	$ 5,113
-	-	-	-	-	10,000
-	-	-	-	-	15,113
-	-	-	-	-	8,425
-	-	-	-	-	(2)
1,774	-	11,063	4,683	2,833	69,779
1,774	-	11,063	4,683	2,833	69,777
$ 1,774	$ -	$ 11,063	$ 4,683	$ 2,833	$ 93,315

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	Destination Marketing Reserve	Totals 2011
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ 50,724	$ 2,018	$ 9,736	$ 62,478
Call loans - General Revenue Fund (Note 4)	7,635	-	-	7,635
Accounts receivable	2,993	-	450	3,443
Prepaid expenses	-	-	-	-
Land held for resale	12,365	-	-	12,365
	73,717	2,018	10,186	85,921
Investments (Note 5)	19,553	-	-	19,553
Deferred charges	45	-	-	45
	$ 93,315	$ 2,018	$ 10,186	$ 105,519
LIABILITIES				
Current				
Accounts payable	$ 5,113	$ -	$ -	$ 5,113
Due to Winnipeg Parking Authority - SOA	10,000	-	-	10,000
	15,113	-	-	15,113
EQUITY				
Contributed surplus (Note 6)	8,425	-	-	8,425
Allocated	(2)	-	10,186	10,184
Unallocated	69,779	2,018	-	71,797
	69,777	2,018	10,186	81,981
	$ 93,315	$ 2,018	$ 10,186	$ 105,519

See accompanying notes to the financial statements

Totals 2010
$ 70,468
6,743
5,371
7
12,365
94,954
16,095
36
$ 111,085
$ 7,171
23,516
30,687
8,425
7,631
64,342
71,973
$ 111,085

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Transcona Cemetery Reserve
Balance, beginning of year	$ 2,758	$ 12,608	$ 741	$ 522
Add:				
Transfer from General Revenue Fund	-	63	17	10
Transfer from General Capital Fund	-	-	-	-
Accommodation tax	-	-	-	-
Land sales	-	-	-	-
Municipal realty tax	-	-	-	-
Other	1,106	61	-	-
Interest earned	27	606	52	37
Cash payments-in-lieu of land dedication	-	-	-	-
Transfer from Transit System Fund	-	-	-	-
Transfer from Sewage Disposal System Fund	-	-	-	-
Transfer from Waterworks System Fund	-	-	-	-
Transfer from Solid Waste Disposal Fund	-	-	-	-
Transfer from Winnipeg Parking - SOA	-	-	-	-
Transfer from Animal Services - SOA	-	-	-	-
Transfer from Land Operating Reserve	-	-	-	-
	1,133	730	69	47
Deduct:				
Transfer to General Revenue Fund	-	355	14	9
Grants	-	-	-	-
Transfer to General Capital Fund	-	-	-	-
Cost of sales	-	-	-	-
Other	-	-	-	-
Transfer to Municipal Accommodations Fund	-	-	-	-
Transfer to General Revenue Enterprises	-	-	-	-
Transfer to General Revenue Fund - investment management fee	8	39	2	2
Transfer to Fleet Management - SOA	-	-	-	-
Transfer to Golf Services - SOA	-	-	-	-
Transfer to Financial Stabilization Reserve	-	-	-	-
Transfer to Building Services Fund	-	-	-	-
Transfer to Mill Rate Stabilization Reserve	-	-	-	-
Transfer to Contributions in Lieu of Land Dedication Reserve	-	-	-	-
Transfer to Winnipeg Parking - SOA	-	-	-	-
	8	394	16	11
Balance, end of year	$ 3,883	$ 12,944	$ 794	$ 558

See accompanying notes to the financial statements

Insurance Reserve	Land Dedication Reserve	Land Operating Reserve	Recreation Programming Reserve	Snow Clearing Reserve	Sub-Total
$ 3,690	$ 4,495	$ 14,182	$ 51	$ -	$ 39,047
748	-	-	490	-	1,328
-	-	110	-	-	110
-	-	-	-	-	-
-	-	6,922	-	-	6,922
-	-	-	-	-	-
-	-	560	-	-	1,727
39	45	452	3	-	1,261
-	707	-	-	-	707
503	-	-	-	-	503
110	-	-	-	-	110
95	-	-	-	-	95
32	-	-	-	-	32
20	-	-	-	-	20
2	-	-	-	-	2
-	-	-	-	-	-
1,549	752	8,044	493	-	12,817
-	-	5,700	-	-	6,078
-	17	-	-	-	17
-	-	858	-	-	858
-	-	3,383	-	-	3,383
-	416	931	17	-	1,364
3	-	-	253	-	256
-	-	346	-	-	346
11	14	107	1	-	184
64	-	-	-	-	64
58	-	-	-	-	58
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
136	447	11,325	271	-	12,608
$ 5,103	$ 4,800	$ 10,901	$ 273	$ -	$ 39,256

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	Commitment Reserve	Heritage Investment Reserve	Housing Rehabilitation Reserve
Balance, beginning of year	$ 39,047	$ 1,069	$ 6,410	$ 2,057
Add:				
Transfer from General Revenue Fund	1,328	1,929	-	1,538
Transfer from General Capital Fund	110	-	-	-
Accommodation tax	-	-	-	-
Land sales	6,922	-	-	-
Municipal realty tax	-	-	1,199	-
Other	1,727	-	-	-
Interest earned	1,261	-	65	15
Cash payments-in-lieu of land dedication	707	-	-	-
Transfer from Transit System Fund	503	-	-	-
Transfer from Sewage Disposal System Fund	110	-	-	-
Transfer from Waterworks System Fund	95	-	-	-
Transfer from Solid Waste Disposal Fund	32	-	-	-
Transfer from Winnipeg Parking - SOA	20	-	-	-
Transfer from Animal Services - SOA	2	-	-	-
Transfer from Land Operating Reserve	-	-	-	-
	12,817	1,929	1,264	1,553
Deduct:				
Transfer to General Revenue Fund	6,078	-	1,000	325
Grants	17	305	-	919
Transfer to General Capital Fund	858	-	-	-
Cost of sales	3,383	-	-	-
Other	1,364	162	1,189	6
Transfer to Municipal Accommodations Fund	256	160	-	-
Transfer to General Revenue Enterprises	346	-	-	-
Transfer to General Revenue Fund - investment management fee	184	-	17	5
Transfer to Fleet Management - SOA	64	-	-	-
Transfer to Golf Services - SOA	58	-	-	-
Transfer to Financial Stabilization Reserve	-	26	-	-
Transfer to Building Services Fund	-	-	-	-
Transfer to Mill Rate Stabilization Reserve	-	-	-	-
Transfer to Contributions in Lieu of Land Dedication Reserve	-	-	-	-
Transfer to Winnipeg Parking - SOA	-	-	-	-
	12,608	653	2,206	1,255
Balance, end of year	$ 39,256	$ 2,345	$ 5,468	$ 2,355

See accompanying notes to the financial statements

Economic Development Reserve	Assiniboine Park Enterprise Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Insect Control Reserve	Sub-Total
$ 2,073	$ 119	$ 7,214	$ 3,078	$ 507	$ 61,574
-	-	9,700	-	2,323	16,818
-	-	8,000	-	-	8,110
-	-	-	-	-	-
-	-	-	-	-	6,922
263	-	-	2,259	-	3,721
-	23	-	-	-	1,750
18	-	63	38	5	1,465
-	-	-	-	-	707
-	-	-	-	-	503
-	-	-	-	-	110
-	-	-	-	-	95
-	-	-	-	-	32
-	-	-	-	-	20
-	-	-	-	-	2
-	-	-	-	-	-
281	23	17,763	2,297	2,328	40,255
-	-	8,000	-	-	15,403
405	-	-	680	-	2,326
230	-	5,894	-	-	6,982
-	-	-	-	-	3,383
(61)	142	-	-	-	2,802
-	-	-	-	-	416
-	-	-	-	-	346
6	-	20	12	2	246
-	-	-	-	-	64
-	-	-	-	-	58
-	-	-	-	-	26
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
580	142	13,914	692	2	32,052
$ 1,774	$ -	$ 11,063	$ 4,683	$ 2,833	$ 69,777

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	Permit Reserve	Destination Marketing Reserve	Totals 2011
Balance, beginning of year	$ 61,574	$ 2,768	$ 7,631	$ 71,973
Add:				
Transfer from General Revenue Fund	16,818	1,186	-	18,004
Transfer from General Capital Fund	8,110	-	-	8,110
Accommodation tax	-	-	7,585	7,585
Land sales	6,922	-	-	6,922
Municipal realty tax	3,721	-	-	3,721
Other	1,750	-	-	1,750
Interest earned	1,465	27	74	1,566
Cash payments-in-lieu of land dedication	707	-	-	707
Transfer from Transit System Fund	503	-	-	503
Transfer from Sewage Disposal System Fund	110	-	-	110
Transfer from Waterworks System Fund	95	-	-	95
Transfer from Solid Waste Disposal Fund	32	-	-	32
Transfer from Winnipeg Parking - SOA	20	-	-	20
Transfer from Animal Services - SOA	2	-	-	2
Transfer from Land Operating Reserve	-	-	-	-
	40,255	1,213	7,659	49,127
Deduct:				
Transfer to General Revenue Fund	15,403	1,955	60	17,418
Grants	2,326	-	5,021	7,347
Transfer to General Capital Fund	6,982	-	-	6,982
Cost of sales	3,383	-	-	3,383
Other	2,802	-	-	2,802
Transfer to Municipal Accommodations Fund	416	-	-	416
Transfer to General Revenue Enterprises	346	-	-	346
Transfer to General Revenue Fund - investment management fee	246	8	23	277
Transfer to Fleet Management - SOA	64	-	-	64
Transfer to Golf Services - SOA	58	-	-	58
Transfer to Financial Stabilization Reserve	26	-	-	26
Transfer to Building Services Fund	-	-	-	-
Transfer to Mill Rate Stabilization Reserve	-	-	-	-
Transfer to Contributions in Lieu of Land Dedication Reserve	-	-	-	-
Transfer to Winnipeg Parking - SOA	-	-	-	-
	32,052	1,963	5,104	39,119
Balance, end of year	$ 69,777	$ 2,018	$ 10,186	$ 81,981

See accompanying notes to the financial statements

Totals 2010
$ 81,941
5,158
903
7,053
9,130
2,911
1,537
1,365
289
100
886
56
14
-
-
60
29,462
16,902
7,948
2,652
3,672
5,107
-
2,514
232
4
7
-
201
124
60
7
39,430
$ 71,973

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
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
Destination Marketing 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 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.

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 the 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.

Insurance Reserve Fund

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

The Corporate Controller is the Fund Manager.

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

Contributions in Lieu of Land Dedication Reserve Fund

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

Land Operating Reserve Fund

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

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

With the adoption of the 2006 tax-supported budget, City Council approved a specific sub-component of the Recreation Programming Reserve dedicated to the annual extension of the regularly scheduled wading pool and outdoor pool season. At that time, cost based on ideal conditions was estimated at $490,000. Adjustments are made to the annual transfer from the General Revenue Fund to ensure that the cap is not exceeded.

The Director of Community Services is the Fund Manager.

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

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.

On December 14, 2004, City Council approved the establishment of a new Snow Clearing Reserve Fund with the same purpose and guidelines as the former Reserve (established on March 22, 1995) with the exception that City Council may, at its discretion, approve a transfer from the Reserve to cover snow clearing costs greater than or other than as stipulated by the Reserve. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. The Reserve balance should never exceed $10.9 million.

On March 26, 2008, City Council further approved that the former restrictions on charges to the Snow Clearing Reserve in any one year be rescinded, and that no minimum balance be required (previously set at $5.0 million) before any charges can be made to the Reserve.

The Director of Public Works 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 Financial Stabilization Reserve Fund (formerly 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 than 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 Financial 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 from projects financed by the Fund.

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.

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

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 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.

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 Assiniboine Park Enterprise Reserve Fund will be dissolved in 2011 as the Assiniboine Park Conservancy Inc. will take over the management of Assiniboine Park effective January 1, 2011.

The Director of Community Services was 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 through an annual transfer from the operating budget and any year end unexpended insect control mill rate support budget. 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 Public Works 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. 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.

On March 22, 2011, City Council approved the cap be revised to $2.0 million and any surplus funds above the cap be transferred to the Planning, Property and Development department that is reported in the General Revenue Fund.

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

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

Destination Marketing Reserve Fund

On October 22, 2008, City Council approved the creation of the Destination Marketing Reserve Fund with an effective date of January 1, 2009. The purpose of the Reserve is to support Economic Development Winnipeg Inc., The Convention Centre Corporation and special events including other organizations, projects and events that will encourage tourists to visit Winnipeg. The source of revenue for the Reserve is the 5% accommodation tax, which was adopted by City Council on April 23, 2008.

Guidelines established for the Reserve include the following:

- A grant to Economic Development Winnipeg Inc. equal to the greater of $2.0 million or 30% of annual accommodation tax revenue;
- A grant of $1.5 million annually to The Winnipeg Convention Centre Corporation;
- Up to 40% of the annual accommodation tax revenue, to a maximum of the estimated annual payments required to service the amount of future debt that will be allocated to the City's portion of construction costs relating to a planned expansion at the Winnipeg Convention Centre, to be set aside within the Reserve. Dispositions from the Reserve for this purpose require approval of City Council;
- Expenses incurred in the General Revenue Fund to administer the accommodation tax will be transferred to the Reserve; and
- The remainder of the funds, net of the above, paid to Economic Development Winnipeg Inc. for the Special Event Marketing Fund. If yearly contributions to the Special Event Marketing Fund exceeds $1.0 million, any excess above this amount will be paid to Economic Development Winnipeg Inc. in the form of an additional grant. Dispositions from the Destination Marketing Reserve fund for this purpose will require the approval of the Fund Manager.

The Chief Financial Officer 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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

4. *Call Loans - General Revenue Fund*

Call loans represent short-term investments with The City of Winnipeg - General Revenue Fund 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.

5. *Investments*

	2011	2010
Marketable securities		
Provincial bonds and bond coupons	**$ 4,303**	$ 5,095
Municipal bonds	**11,148**	8,082
	15,451	13,177
Transcona Joint Venture	**2,976**	2,918
River Park South Joint Venture	**1,126**	-
	$ 19,553	$ 16,095

5. *Investments (continued)*

Transcona Joint Venture:
The Transcona Joint Venture ("Transcona JV") 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 Transcona JV. The City's proportionate interest in the financial accounts of the Transcona JV as at December 31, 2011 was as follows:

	2011	2010
Assets	**$ 4,028**	$ 4,074
Liabilities	**1,052**	1,156
Revenues	**5,589**	3,460
Expenses	**2,831**	2,200
Cash flow (used in):		
Operating activities	**1,782**	707
Investing activities	**-**	-
Financing activities	**(2,700)**	(1,350)

River Park South Joint Venture:
The River Park South Joint Venture ("River Park JV") was formed on April 21, 2011, between The City of Winnipeg and Qualico Development Partnership to develop and sell certain land owned by participants in the community of River Park South. Each participant has a 50% interest in the River Park JV. The City's proportionate interest in the financial accounts of the River Park JV as at December 31, 2011 was as follows:

	2011	2010
Assets	**$ 2,982**	$ -
Liabilities	**616**	-
Equity	**2,366**	-

The aggregate market value of marketable securities at December 31, 2011 was $18,056 thousand (2010 - $13,744 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.


NAME ON A GRAIN OF RICE
DANGER

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

STATEMENT OF FINANCIAL POSITION

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

	2011	2010
ASSETS		
Current		
Due from General Revenue Fund	**$ -**	$ 37,856
Current portion of long-term investments	**-**	32,921
	-	70,777
Long-term investments	**-**	453,979
	$ -	$ 524,756
EQUITY		
Allocated	**$ -**	$ 486,900
Equity for Approved Capital Projects	**-**	37,856
	$ -	$ 524,756

See accompanying note 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)

	2011	2010
Balance, beginning of year	**$ 524,756**	$ 489,469
Add:		
Interest		
General Capital Fund	**-**	28,055
Transit System	**-**	1,198
General Revenue Fund	**-**	406
Civic Accommodations Fund	**-**	182
Other	**-**	33
Sewage Disposal System	**-**	4
General Revenue Fund - debt and finance charges reduction	**-**	(1,494)
Transfer from General Capital Fund	**-**	7,000
	-	35,384
Deduct:		
Transfer to General Capital Fund	**524,756**	-
Transfer to General Revenue Fund - investment management fee	-	97
	524,756	97
Balance, end of year	**$ -**	$ 524,756

See accompanying note to the financial statements

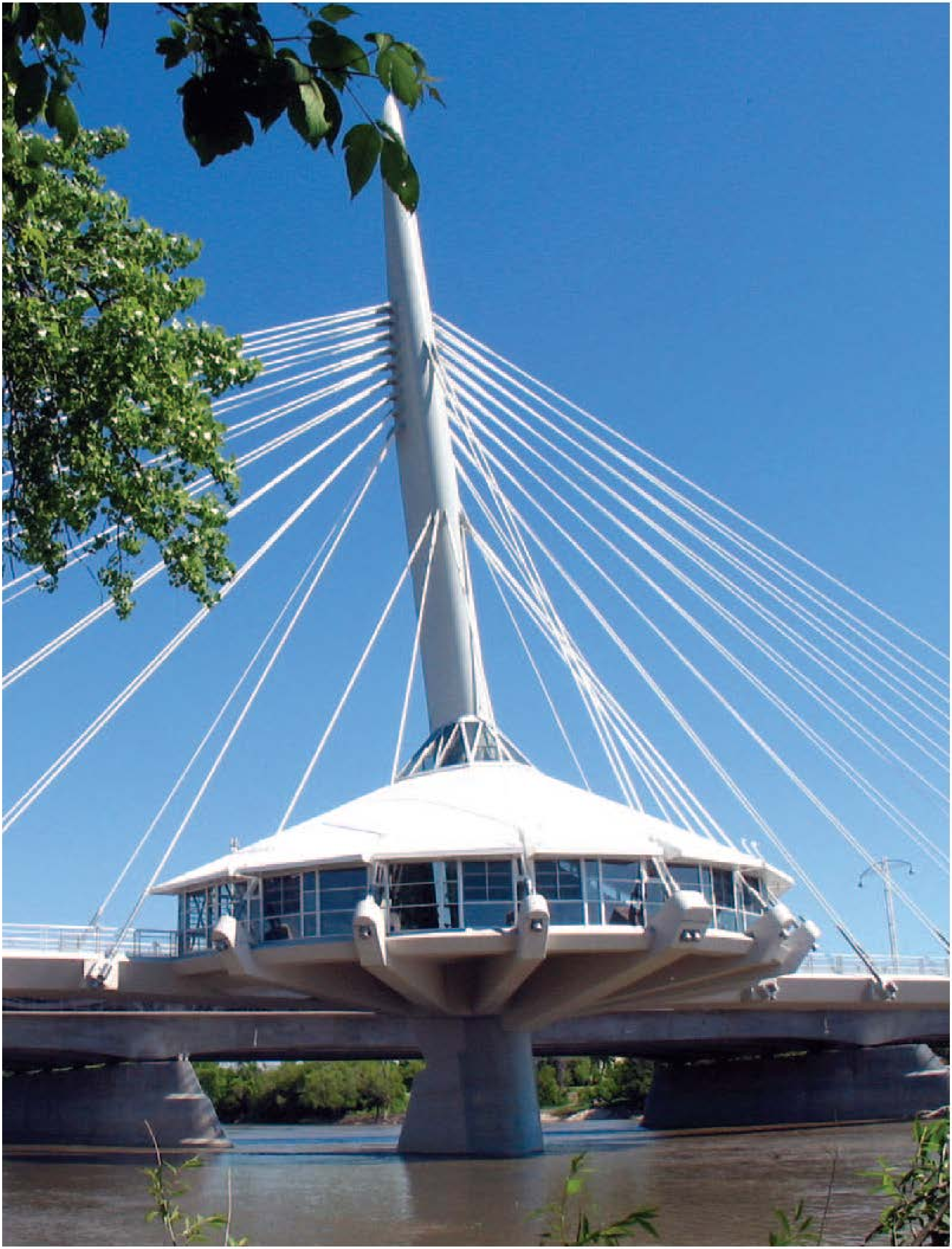
THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

NOTE TO THE FINANCIAL STATEMENTS

December 31, 2011
(unaudited)

1. Wind-up of Operations

On March 22, 2011, City Council approved the dissolution of the Equity in Capital Assets Fund. Therefore, effective, January 1, 2011, the Equity in Capital Assets Fund was consolidated into the General Capital Fund.



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	2011 Totals	2010 Totals
ASSETS					
Current					
Due from General Revenue Fund (Note 3)	**$ 41,302**	**$ 367,839**	**$ 1,618**	**$ 410,759**	$ 587,016
EQUITY					
Unallocated	**$ 41,302**	**$ 367,839**	**$ 1,618**	**$ 410,759**	$ 587,016

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	2011 Totals	2010 Totals
Opening balance	**$ 111,668**	**$ 473,730**	**$ 1,618**	**$ 587,016**	$ 568,978
Add:					
Contributions	**86,464**	**276,232**	**-**	**362,696**	412,955
Interest earned	**1,072**	**4,585**	**-**	**5,657**	3,236
	87,536	**280,817**	**-**	**368,353**	416,191
Deduct:					
Disbursements	**157,902**	**386,708**	**-**	**544,610**	398,153
Closing balance	**$ 41,302**	**$ 367,839**	**$ 1,618**	**$ 410,759**	$ 587,016

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(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.

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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF FINANCIAL POSITION

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

	2011	2010
ASSETS		
Current		
Due from General Revenue Fund (Note 2)	**$ 2,079**	$ 7,609
Investment (Note 3)	**1,148**	1,148
	$ 3,227	$ 8,757
RETAINED EARNINGS	**$ 3,227**	$ 8,757

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF NET LOSS AND RETAINED EARNINGS

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

	2011	2010
REVENUES		
Interest	**$ 72**	$ 47
EXPENSES		
Transfer to General Capital Fund (Note 4)	**5,602**	2,732
Net loss for the year	**(5,530)**	(2,685)
RETAINED EARNINGS, BEGINNING OF YEAR	**8,757**	11,442
RETAINED EARNINGS, END OF YEAR	**$ 3,227**	$ 8,757

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. *Summary of Significant Accounting Policies*

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

a) Basis of accounting

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

2. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this 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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

3. *Investment*

	2011	2010
Fleet Management - Special Operating Agency	**$ 1,148**	$ 1,148

On January 1, 2008, Fleet Management - Special Operating Agency converted their long-term debt of $1,148 thousand to contributed surplus.

4. *Transfer to General Capital Fund*

The City of Winnipeg's 2011 Capital Budget, adopted by City Council on February 22, 2011, included the following transfers to the Assiniboine Park Conservancy Development Plan: $4,500 thousand for the Capital Development Plan (2010 - $2,732 thousand) and $1,102 thousand for Upgrades and Improvements.

PHOTO: Brent Bellamy, courtesy Tourism Winnipeg

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

Effective January 1, 2011, the Civic Accommodations and Building Services Funds were amalgamated into a new Fund known as the Municipal Accommodations Fund.

In June 2006, the City Auditor issued a report entitled "Public Works Asset Management Performance Audit, Part 2 - Facilities Maintenance". Included among the report's recommendations was "…that responsibility for facilities maintenance for all Civic facilities be assigned to one department, division or agency."

On June 20, 2007, City Council concurred in the recommendations of Executive Policy Committee and adopted 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, and further that "facility maintenance" be transferred from the jurisdiction of the Standing Policy Committee on Infrastructure Renewal and Public Works to the Standing Policy Committee on Property and Development, effective as of September 17, 2007." As a result, the former Civic Accommodations Division of the Planning, Property and Development Department and the former Building Services Division of the Public Works Department were combined to form the Municipal Accommodations Division in the Planning, Property and Development Department.

The Municipal Accommodations Division is a self-financing utility enterprise and uses an "Actual/Market" model to distribute accommodation costs to all departments. This full cost recovery model is often referred to as the "Charge-Back System" and all services the Division provides are recovered from client departments. These services include leasing of civic accommodations, the programming, designing and project management of construction and renovation projects, design and consulting services, and the demolition of buildings. They also include facility maintenance, security, environmental monitoring and cleaning services.

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, accommodations facilities, cemeteries and Winnipeg Parking Authority and Golf Services Special Operating Agencies' facilities.

FIVE-YEAR REVIEW
As at December 31
(unaudited)

	2011	2010	2009	2008	2007
Number of facilities	**129**	131	125	130	132
Total area square footage	**2,455,171**	2,471,474	2,409,827	2,457,460	2,455,140

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

STATEMENT OF FINANCIAL POSITION

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

		2011		2010
ASSETS				
Current				
Cash	**$**	**23**	$	-
Due from General Revenue Fund (Note 3)		**204**		914
Accounts receivable		**328**		193
Prepaid expenses		**659**		677
		1,214		1,784
Tangible capital assets (Note 1c)		**-**		2,676
	$	**1,214**	$	4,460
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 4)	**$**	**1,050**	$	1,667
Current portion of long-term debt (Note 1c)		**-**		238
		1,050		1,905
Deferred revenue		**164**		117
Long-term debt (Note 1c)		**-**		2,438
		164		2,555
	$	**1,214**	$	4,460

Commitments (Note 5)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

STATEMENT OF OPERATIONS

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

	2011 Budget	2011 Actual	2010 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 7b)	**$ 64,631**	**$ 66,609**	$ 64,309
Investment and other	**303**	**345**	406
Other rental	**67**	**51**	33
Total Revenues	**65,001**	**67,005**	64,748
EXPENSES			
Municipal Accommodations	**43,733**	**45,384**	44,599
Transfer to General Capital Fund	**16,814**	**13,414**	16,451
Transfer to General Revenue Fund	**4,454**	**8,207**	3,698
Total Expenses (Note 8)	**65,001**	**67,005**	64,748
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes to the financial statements

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 Municipal 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 was funded by debt issued by the Equity in Capital Assets Fund. During 2011, this debt was eliminated and the related asset was written off. The write-off was funded by a transfer from the General Capital Fund.

d) 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.

e) Debt and finance charges

Municipal Accommodations Fund's tangible capital assets including those financed by debt are reported in the General Capital Fund along with any outstanding debt obligation. Interest and payments on debt are funded by the Municipal Accommodations Fund and the interest expense is reported in the General Capital Fund.

2. Status of the Municipal Accommodations Fund

Effective January 1, 2011, the Civic Accommodations and Building Services Funds were amalgamated into a new Fund known as the Municipal Accommodations Fund.

The Municipal Accommodations Division of the Planning, Property and Development department 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 Division is also responsible for providing asset management and facility maintenance services for civic purposes. An accommodation charge back system is used as a step towards the full costing of services to other civic departments.

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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

4. Accounts Payable and Accrued Liabilities

	2011	2010
Accrued interest on long-term debt	**$ 434**	$ 449
Accounts payable and accrued liabilities	**347**	306
Wages and employee benefits	**236**	749
Performance deposits	**33**	158
Holdbacks and other payables	**-**	5
	$ 1,050	$ 1,667

5. Commitments

Lease commitments

The Municipal Accommodations Fund 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:

2012	$ 3,109
2013	2,860
2014	1,928
2015	1,545
2016	1,397
Subsequent	6,847
	$ 17,686

6. *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, 2011 at $2.0 million (2010 - $1.8 million).

b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2011 at $657 thousand (2010 - $225 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, 2011 is estimated at $1.4 million (2010 - $1.4 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, 2011 is estimated at $510 thousand (2010 - $157 thousand).

e) Municipal 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 $1.1 million (2010 - $1.1 million) of pension costs were allocated to Municipal Accommodations. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2010 and has disclosed an actuarial surplus.

7. *Contributions and Appropriations from Related Parties*

a) Included in Civic Accommodations Fund expenses are:
- Rental payments in the amount of $529 thousand (2010 - $628 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles; Non vehicle manufacturing services were also purchased from the Agency in the amount of $206 thousand (2010 - $245 thousand);
- Recovery from the Insurance Reserve of $3 thousand (2010 - $13 thousand);
- Transfer to the Computer Replacement Reserve of $91 thousand (2010 - $11 thousand);
- General government charges in the amount of $558 thousand (2010 - $558 thousand) to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to Municipal Accommodations; and
- Parking space rental to Winnipeg Parking Authority in the amount of $10 thousand (2010 - $11 thousand).

7. Contributions and Appropriations from Related Parties (continued)

b) Funds that transferred revenue to the Municipal Accommodations Fund were the following:

	2011	2010
General Revenue Fund	**$ 59,779**	$ 60,420
General Capital Fund (Note 1c)	**2,677**	-
Waterworks System	**1,100**	1,106
Sewage Disposal System	**1,100**	1,106
Municipal Accommodations Fund	**572**	562
Transit System	**275**	251
Recreation Programming Reserve	**253**	188
Animal Services - Special Operating Agency	**211**	211
Fleet Management - Special Operating Agency	**195**	195
Commitment Reserve	**160**	-
Solid Waste Disposal Fund	**147**	130
Winnipeg Parking Authority - Special Operating Agency	**123**	123
Golf Services - Special Operating Agency	**17**	17
	$ 66,609	$ 64,309

The majority of transfers represent charges for facility costs which include market rent, operating costs, maintenance costs and portfolio overheads.

8. Expenses by Object

	2011 Budget	**2011 Actual**	2010 Actual
Services, materials and supplies	**$ 28,249**	**$ 27,342**	$ 29,577
Salaries and employee benefits	**16,557**	**16,416**	16,280
Transfer to General Capital Fund	**16,814**	**13,414**	16,451
Transfer to General Revenue Fund	**4,454**	**8,207**	3,698
Other grants and transfers	**1,369**	**4,048**	1,411
Debt and finance charges	**27**	**3**	31
Recoveries	**(2,469)**	**(2,425)**	(2,700)
	$ 65,001	**$ 67,005**	$ 64,748

9. 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.

10. Comparative Figures

Effective January 1, 2011, the Civic Accommodations and Building Services Funds amalgamated into the Municipal Accommodations Fund. The comparative figures represent the consolidated figures of the Civic Accommodations and Building Services Funds.

PHOTO: Harv Sawatzsky, courtesy Tourism Winnipeg

Utilities
Detailed Financial Statements

2011

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 $4.4 million from 2010, a 6.6% increase. Revenue passengers for 2011 numbered over 47.4 million, a 4.9% increase from 2010. This is the ninth consecutive annual increase.

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.

Through the Province's Building Manitoba Fund, an operating transfer of $30.8 million was provided to Winnipeg's transit system. This is $2.9 million more than the previous year. The Province of Manitoba's capital grant commitment was $9.2 million, increasing by $1.7 million from the previous year.

For purposes of funding capital investments, funds transferred to the Transit System included $3.2 million from the Federal Gas Tax Reserve, and $7.6 million from the Transit Bus Replacement Reserve.

The appropriation from the General Revenue Fund increased by $1.0 million from the previous year, a component of the net increase in revenues of $7.2 million. Operating expenses increased by $6.6 million from the previous year. The majority of this increase was due to the impact of contractual agreements on salaries and wages, and increased borrowing costs related to the Southwest Rapid Transit Corridor project.

Handi-transit's demand decreased from 2010 by 0.5%. Costs were higher than the previous year by $0.6 million due to increased contractor rates.

Several achievements were realized during the year, including:

- During 2011, 30 air-conditioned buses were delivered, continuing with the 2007 decision to have all future bus purchases include air conditioning.

- Thirty-three new transit shelters were placed during 2011.

- Implementation of new On-Street Transit Priority measures at Balmoral and Ellice, Main and St. Mary's, Queen Elizabeth and Stradbrook, and Pembina and Warsaw.

- Transit received a "Winnipeg Accessibility Award" from the City's Access Advisory Committee in recognition of the department's work to incorporate universal design into its fleet, stops/station and passenger information services.

- On October 22, 2008, City Council approved funding for construction of the Southwest Rapid Transit Corridor - Stage 1. This corridor will improve the speed and reliability of transit service by allowing transit vehicles to bypass traffic congestion. Construction began in 2009 with substantial completion being reached in late 2011. Rapid Transit Service will commence operations on April 8, 2012.

THE CITY OF WINNIPEG
TRANSIT SYSTEM

FIVE-YEAR REVIEW

December 31
("$" amounts in thousands of dollars, except for "Financial Statistics and Selected Ratios" section)
(unaudited)

		2011	2010		2009		2008		2007
Financial Position									
Tangible capital assets	**$**	**270,709**	216,871	$	161,378	$	107,273	$	97,920
Total assets	**$**	**303,610**	259,965	$	174,444	$	120,421	$	109,802
Long-term debt	**$**	**115,056**	87,737	$	28,618	$	26,686	$	24,727
Total liabilities	**$**	**130,611**	97,153	$	36,333	$	37,858	$	35,894
Operations									
Passenger revenue	**$**	**69,946**	65,592	$	63,906	$	61,493	$	58,132
- in relation to total revenue		**46.31%**	45.62%		47.38%		47.70%		48.59%
Appropriation from General Revenue Fund	**$**	**44,172**	43,200	$	42,069	$	38,414	$	33,743
- in relation to total revenue		**29.24%**	30.04%		31.19%		29.80%		28.20%
Provincial operating transfers	**$**	**30,819**	27,877	$	24,276	$	25,130	$	23,795
Operations expenses	**$**	**60,920**	60,730	$	56,580	$	53,647	$	51,681
Plant and equipment expenses	**$**	**43,425**	38,429	$	36,484	$	38,339	$	34,793
Total expenses	**$**	**133,290**	126,707	$	117,972	$	116,051	$	110,315
Cash Flows									
Operating activities	**$**	**32,172**	38,039	$	74,605	$	16,705	$	11,446
Long-term debt issued, net	**$**	**29,553**	60,324	$	3,302	$	3,271	$	(2,171)
Payments to The Sinking Fund Trustees, net	**$**	**(1,486)**	(559)	$	(650)	$	(650)	$	(650)
Capital expenses	**$**	**(69,108)**	(68,835)	$	(65,066)	$	(18,135)	$	(15,560)
Financial Statistics and Selected Ratios									
Regular cash fare, end of year	**$**	**2.40**	2.35	$	2.30	$	2.25	$	2.00
Handi-transit -									
Annual ridership (in thousands)		**508.6**	511.1		517.6		544.9		586.7
Total cost per passenger	**$**	**19.29**	17.95	$	17.39	$	16.16	$	14.59
Revenue to cost ratio		**12%**	12%		12%		12%		13%
Regular transit -									
Annual ridership (in millions)		**47.4**	45.2		43.9		42.6		41.2
Bus hours operated (in thousands)		**1,424**	1,412		1,396		1,382		1,375
Direct operating cost per passenger	**$**	**2.47**	2.47	$	2.42	$	2.43	$	2.40
Direct operating cost per vehicle hour	**$**	**82.14**	78.98	$	75.51	$	74.99	$	71.86
Revenue to cost ratio		**62%**	62%		63%		61%		59%
Municipal operating cost per capita	**$**	**52.72**	51.64	$	54.39	$	54.65	$	46.69

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2011	2010
FINANCIAL ASSETS		
Cash	**$ 35**	$ -
Accounts receivable (Note 3)	**4,463**	5,438
Due from General Revenue Fund (Note 4)	**23,021**	32,709
	27,519	38,147
LIABILITIES		
Bank indebtedness	**-**	124
Accounts payable and accrued liabilities	**15,555**	9,292
Long-term debt (Note 5)	**115,056**	87,737
	130,611	97,153
NET FINANCIAL LIABILITIES	**(103,092)**	(59,006)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**270,709**	216,871
Inventory (Note 7)	**4,428**	4,197
Prepaid expenses	**954**	750
	276,091	221,818
ACCUMULATED SURPLUS (Note 8)	**$ 172,999**	$ 162,812

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)

	2011 Budget	**2011 Actual**	2010 Actual
REVENUES			
System generated (Note 9)	**$ 69,834**	**$ 72,222**	$ 68,264
Appropriation from General Revenue Fund	**44,172**	**44,172**	43,200
Provincial Government transfers (Note 10)	**32,925**	**32,317**	29,320
Interest and other	**1,511**	**1,568**	2,041
Appropriation from Rapid Transit Infrastructure Reserve	**1,538**	**770**	963
Total revenues from operations	**149,980**	**151,049**	143,788
EXPENSES			
Operations (Note 11)	**60,250**	**60,920**	60,730
Plant and equipment (Note 12)	**42,277**	**43,425**	38,429
Other departmental (Note 13)	**13,140**	**11,785**	10,978
Handi-transit	**9,550**	**9,410**	8,831
Finance and administration	**2,898**	**2,738**	2,773
Planning, schedules and marketing	**2,229**	**2,009**	2,055
Information systems	**1,525**	**1,317**	1,246
Customer services	**1,269**	**1,231**	1,132
Human resources	**550**	**455**	533
Total expenses from operations (Note 14)	**133,688**	**133,290**	126,707
Surplus for the year from operations	**16,292**	**17,759**	17,081
Net (deficit) surplus from capital (Note 15)	**(16,292)**	**(7,572)**	7,620
NET SURPLUS FOR THE YEAR	**-**	**10,187**	24,701
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**-**	**162,812**	138,111
ACCUMULATED SURPLUS, END OF YEAR	**$ -**	**$ 172,999**	$ 162,812

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)

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 10,187**	$ 24,701
Non-cash items related to operations		
Amortization	**15,252**	12,617
(Gain) loss on disposal of tangible capital assets	**(70)**	594
Working capital from operations	**25,369**	37,912
Net change in other working capital	**6,803**	127
	32,172	38,039
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")	**(748)**	(646)
Long-term debt issued	**31,977**	62,494
Payments on other long-term debt	**(2,424)**	(2,170)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(1,486)**	(559)
Due from General Revenue Fund	**9,688**	(28,912)
	37,007	30,207
INVESTING		
Acquisition and construction of tangible capital assets	**(69,108)**	(68,835)
Proceeds on disposal of tangible capital assets	**88**	131
	(69,020)	(68,704)
Increase (decrease) in cash	**159**	(458)
Cash, beginning of year	**(124)**	334
Cash, end of year	**$ 35**	$ (124)

See accompanying notes and schedule to the financial statements

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
Vehicles	5 to 18 years
Land improvements	10 to 30 years
Roads, tunnels and bridges	30 to 50 years
Other equipment	3 to 10 years

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

	2011	2010
Province of Manitoba	**$ 2,650**	$ 3,294
Advertising rights, charter and other	**1,813**	2,144
	$ 4,463	$ 5,438

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 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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

5. *Long-term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2011**	Amount of Debt 2010
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
2010-2041	June 3	5.150	WB	183/2008	**60,000**	60,000
2011-2051	Nov. 15	4.300	WC	183/2008	**29,750**	-
					108,250	78,500
Funds on deposit with the Sinking Funds (Note 5b)					**(15,898)**	(13,664)
Net sinking fund debentures outstanding					**92,352**	64,836

Other long-term debt outstanding

	2011	2010
Serial debentures issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.59% (2010 - 4.56%)	**2,199**	2,908
General Capital Fund (formerly the Equity in Capital Assets Fund) debt issued by the City with varying maturities up to 2030 and a weighted average interest rate of 6.39% (2010 - 6.48%)	**20,505**	19,993
	$ 115,056	$ 87,737

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

	2012	2013	2014	2015	2016	Thereafter
Sinking fund debentures	$ -	$ 5,000	$ 6,500	$ 7,000	$ -	$ 89,750
Serial debentures	741	773	311	75	75	224
General Capital Fund debt	1,508	1,596	1,400	1,349	1,418	13,234
	$ 2,249	$ 7,369	$ 8,211	$ 8,424	$ 1,493	$ 103,208

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 Trustees 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.

5. Long-term Debt (continued)

c) Included in interest and finance charges expense is $1.2 million (2010 - $1.2 million) paid to the General Capital Fund.

d) Cash paid for interest during the year was $4.8 million (2010 - $3.8 million).

6. Tangible Capital Assets

	Net Book Value 2011	Net Book Value 2010
Vehicles	**$ 107,332**	$ 103,951
Buildings	**6,462**	3,847
Land improvements	**16,128**	17,560
Land	**13,748**	14,645
Roads, bridges and tunnels	**102,014**	-
Other	**12,112**	12,643
Assets under construction	**12,913**	64,225
	$ 270,709	$ 216,871

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

7. Inventory

	2011	2010
Stores	**$ 4,317**	$ 4,134
Tickets, passes and other	**111**	63
	$ 4,428	$ 4,197

8. Accumulated Surplus

	2011	2010
Appropriated	**$ 4,093**	$ -
Unappropriated	**3,604**	7,876
Total retained earnings	**7,697**	7,876
Invested in tangible capital assets	**165,302**	154,936
	$ 172,999	$ 162,812

9. System Generated

	2011 Budget	**2011 Actual**	2010 Actual
Passenger	**$ 67,837**	**$ 69,946**	$ 65,592
Advertising rights	**1,265**	**1,512**	1,856
Charter and other	**732**	**764**	816
	$ 69,834	**$ 72,222**	$ 68,264

10. Provincial Government Transfers

The Provincial Government provided transfers of $30.8 million (2010 - $27.9 million) towards the operation of the Transit System, $1.5 million (2010 - $1.4 million) as a Local Government Support Transfer and $9.2 million (2010 - $7.5 million) as a Capital Transfer.

11. Operations

	2011 Budget	2011 Actual	2010 Actual
Bus operators	**$ 55,179**	**$ 56,114**	$ 55,696
Inspectors	**2,158**	**2,288**	2,167
Operations administration	**1,760**	**1,643**	1,796
Instruction	**1,153**	**875**	1,071
	$ 60,250	**$ 60,920**	$ 60,730

12. Plant and Equipment

	2011 Budget	2011 Actual	2010 Actual
Bus servicing	**$ 17,984**	**$ 19,470**	$ 15,548
Vehicle maintenance and overhaul	**16,937**	**16,460**	15,639
Facilities maintenance	**4,456**	**4,559**	4,269
Maintenance administration	**2,900**	**2,936**	2,973
	$ 42,277	**$ 43,425**	$ 38,429

13. Other Departmental

	2011 Budget	2011 Actual	2010 Actual
Interest and finance charges	**$ 8,626**	**$ 6,246**	$ 5,719
Taxes	**1,862**	**2,001**	1,956
Insurance and claims	**1,408**	**1,412**	1,445
General government charges and other	**416**	**1,186**	1,250
Employee benefits	**828**	**940**	608
	$ 13,140	**$ 11,785**	$ 10,978

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, 2011 is estimated at $4.9 million (2010 - $4.8 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, 2011 at $7.1 million (2010 - $7.2 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2011 at $1.8 million (2010 - $1.3 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 $2.4 million (2010 - $1.0 million).

13. Other Departmental (continued)

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, $5.5 million (2010 - $5.3 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, 2010 and has an actuarial surplus.

b) General government charges

Included in general government charges and other is $0.8 million (2010 - $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 $275 thousand (2010 - $251 thousand) that has been charged by the Municipal 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 2011, realty and business taxes paid to the General Revenue Fund was $451 thousand (2010 - $457 thousand).

e) Insurance

Included in expenses is $503 thousand (2010 - $100 thousand) that has been charged by the Insurance Reserve.

f) 311 and business technology services

Included in expenses is $782 thousand (2010 - $785 thousand) that has been charged by the General Revenue Fund for services provided by the Corporate Support Services department.

14. Expenses by Object

	2011 Budget	**2011 Actual**	2010 Actual
Salaries and wages	**$ 70,190**	**$ 70,066**	$ 69,311
Materials and supplies	**23,449**	**25,647**	20,951
Services	**14,417**	**13,751**	13,553
Employee benefits	**12,905**	**13,604**	12,704
Interest on long-term debt	**8,612**	**6,233**	5,238
Other	**1,137**	**1,488**	2,049
Taxes - municipal and payroll	**1,862**	**2,001**	1,956
Insurance and transfer to Insurance Reserve	**1,842**	**2,054**	1,678
Recoveries	**(726)**	**(1,554)**	(733)
	$ 133,688	**$ 133,290**	$ 126,707

15. *Net (Deficit) Surplus from Capital*

	2011 Budget	2011 Actual	2010 Actual
Revenues			
Province of Manitoba capital transfers (Note 10)	$ -	$ 9,165	$ 7,450
Transfer from Transit Bus Replacement Reserve	-	7,556	10,733
Transfer from Federal Gas Tax Reserve	-	3,223	490
Gain on disposal of tangible capital assets	-	70	-
Transfer from Public Transit Reserve	-	-	10,627
Transfer from Rapid Transit Infrastructure Reserve	-	-	2,750
Government of Canada capital transfers	-	-	25
	-	20,014	32,075
Expenses			
Amortization	4,046	15,252	12,617
Transfer to Transit Bus Replacement Reserve	7,996	8,084	6,966
Transfer to Rapid Transit Infrastructure Reserve	4,250	4,250	4,250
Loss on disposal of tangible capital assets	-	-	594
Other	-	-	28
	16,292	27,586	24,455
	$ (16,292)	$ (7,572)	$ 7,620

16. *Related Party Transactions*

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

THE CITY OF WINNIPEG
TRANSIT SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	Vehicles	Buildings	Land Improvements
Cost			
Balance, beginning of year	$ 182,511	$ 12,475	$ 24,019
Add: Additions during the year	13,480	2,995	458
Less: Disposals during the year	(3,970)	(102)	-
Balance, end of year	192,021	15,368	24,477
Accumulated amortization			
Balance, beginning of year	(78,560)	(8,628)	(6,459)
Add: Amortization	(10,099)	(362)	(1,890)
Less: Accumulated amortization on disposal	3,970	84	-
Balance, end of year	(84,689)	(8,906)	(8,349)
Net Book Value of Tangible Capital Assets	$ 107,332	$ 6,462	$ 16,128

Land		Roads, Bridges, and Tunnels		Other		Assets Under Construction		**2011**		2010	
$	14,645	$	-	$	18,420	$	64,225	**$**	**316,295**	$	254,606
	(897)		103,367		1,017		(51,312)		**69,108**		68,835
	-		-		-		-		**(4,072)**		(7,146)
	13,748		103,367		19,437		12,913		**381,331**		316,295
	-		-		(5,777)		-		**(99,424)**		(93,228)
	-		(1,353)		(1,548)		-		**(15,252)**		(12,617)
	-		-		-		-		**4,054**		6,421
	-		(1,353)		(7,325)		-		**(110,622)**		(99,424)
$	13,748	$	102,014	$	12,112	$	12,913	**$**	**270,709**	$	216,871

PHOTO: Ken Gillespie, courtesy Tourism Winnipeg

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, one water treatment plant, and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, and transfers to the Water Main Renewal Reserve.

The water treatment plant commenced the delivery of water to the City December 2009. The total cost was $300 million. The plant has a treatment capacity of 400 million litres per day and was constructed to enhance public health protection. The benefits of water treatment are: reduced risk of waterborne disease, reduced levels of disinfection by-products, and to meet more stringent Canadian drinking water quality guidelines.

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2011	2010	2009	2008	2007
Block 1 rate in dollars (per cu. metre)	**$ 1.34**	$ 1.29	$ 1.25	$ 1.22	$ 1.11
Annual water pumped (million litres)	**79,975**	75,031	78,587	78,587	79,624
Water pumped in litres per capita per day	**316**	301	326	326	334
Average daily water pumped (million litres per day)	**219**	206	215	215	218
Maximum day water pumping rates (million litres per day)	**291**	247	259	259	295
Maximum hour water pumping rates (million litres per day)	**468**	361	384	384	447
Kilometres of aqueduct	**174.5**	174.5	174.5	174.5	174.5
Kilometres of feeder mains	**148.3**	149.6	150.2	150.1	155.9
Kilometres of water mains	**2,531.0**	2,543.2	2,519.3	2,484.9	2,464.0
Number of hydrants	**21,031**	20,698	20,562	20,293	20,265
Number of billed services	**195,939**	194,600	193,107	191,416	190,318

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2011	2010
ASSETS		
Current		
Cash	**$ 77**	$ 129
Accounts receivable (Note 3)	**17,316**	17,643
Due from General Revenue Fund (Note 4)	**46,899**	56,855
Inventories	**1,171**	1,312
Prepaid expenses	**11**	-
	65,474	75,939
Tangible capital assets (Note 5)	**860,975**	852,345
Deferred charges (Note 6)	**2,313**	2,405
	$ 928,762	$ 930,689
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	**$ 6,820**	$ 8,189
Current portion of long-term debt (Note 8)	**4,318**	4,181
	11,138	12,370
Long-term debt (Note 8)	**156,824**	163,281
	167,962	175,651
ACCUMULATED SURPLUS (Note 9)	**760,800**	755,038
	$ 928,762	$ 930,689

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)

	2011 Budget	2011 Actual	2010 Actual
REVENUES (Schedule 1)			
Sale of goods and services (Note 10)	**$ 88,151**	**$ 89,423**	$ 83,462
Interest	**2,102**	**2,536**	2,148
Government transfers, permits and other	**1,773**	**2,136**	1,956
Total revenues	**92,026**	**94,095**	87,566
EXPENSES (Schedules 2 and 3)			
Water distribution	**42,516**	**39,553**	36,373
Debt and finance	**18,539**	**12,316**	12,243
Taxes, employee benefits and other (Note 11)	**7,572**	**5,880**	6,286
Engineering services	**3,352**	**3,494**	3,243
Finance and administration	**3,793**	**3,245**	3,190
Information systems and technology	**1,503**	**1,613**	1,341
Customer services	**1,204**	**1,251**	1,660
Environmental standards	**1,102**	**1,156**	987
Human resources	**1,202**	**848**	820
Total expenses from operations	**80,783**	**69,356**	66,143
Surplus for the year from operations	**11,243**	**24,739**	21,423
Transfers to other funds (Note 12)	**13,000**	**13,148**	11,988
Net surplus (deficit) from operations after transfers to other funds	**(1,757)**	**11,591**	9,435
Net surplus (deficit) from capital (Schedule 4)	**-**	**1,219**	(2,719)
NET SURPLUS (DEFICIT) FOR THE YEAR	**$ (1,757)**	**12,810**	6,716
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**755,038**	748,322
CITY OF WINNIPEG - GENERAL REVENUE FUND UTILITY DIVIDEND PAYMENT		**(7,048)**	-
ACCUMULATED SURPLUS, END OF YEAR		**$ 760,800**	$ 755,038

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)

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 12,810**	$ 6,716
Non-cash items related to operations		
Amortization	**20,178**	19,782
Loss on disposal of tangible capital assets	**200**	766
Other	**92**	92
Working capital from operations	**33,280**	27,356
Change in net working capital other than cash	**(912)**	1,665
	32,368	29,021
FINANCING		
Debt retired	**(175)**	-
Debt issued	**-**	3,284
Utility dividend payment	**(7,048)**	-
Interest on sinking funds	**(2,008)**	(1,733)
Due from General Revenue Fund	**9,956**	13,172
Payments to sinking funds	**(4,137)**	(4,136)
	(3,412)	10,587
INVESTING		
Purchase of tangible capital assets	**(29,008)**	(39,500)
Increase in cash	**(52)**	108
Cash, beginning of year	**129**	21
Cash, end of year	**$ 77**	$ 129

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise 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:

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

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) Debenture discounts and issue expenses

Issue expenses are charged to operations in the year of the related debenture issue and discounts on debentures issued are amortized over future periods to which they relate.

e) 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.

f) Water Main Renewal Reserve Fund

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.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, the frontage levy revenue collected on the property tax be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the source of funding for the Water Main Renewal Reserve Fund is the revenue from water rates.

g) 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 Reserve was 2003. On March 22, 2011, City Council approved the wind-up of the Reserve with the remaining equity ($300 thousand) being transferred to the Waterworks System Fund.

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, a water treatment plant 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

	2011	2010
Water billings and other	**$ 17,720**	$ 18,061
Allowance for doubtful accounts	**(404)**	(418)
	$ 17,316	$ 17,643

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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

5. Tangible Capital Assets

	Net Book Value	
	2011	2010
Land	**$ 1,824**	$ 1,824
Buildings	**3,805**	3,858
Machinery and equipment	**1,115**	1,128
Computer	**12,667**	13,128
Underground networks	**502,569**	486,196
Water pumping stations and reservoirs	**335,265**	342,464
Assets under construction	**3,730**	3,747
	$ 860,975	$ 852,345

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

During 2011, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2011 were $80 thousand (2010 - $178 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled $7.8 million in 2011 (2010 - $6.3 million) and were capitalized at their fair value at the time of receipt.

6. Deferred Charges

	2011	2010
Deferred debenture discount	**$ 2,313**	$ 2,405

7. Accounts Payable and Accrued Liabilities

	2011	2010
Accrued debenture interest	**$ 4,763**	$ 4,762
Trade accounts payable	**1,092**	1,393
Other accrued liabilities	**510**	1,630
Deferred revenue and other	**455**	404
	$ 6,820	$ 8,189

8. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt 2011	2010
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
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	**60,000**	60,000
2008-2036	July 17	5.200		72/2006 B	**100,000**	100,000
					203,000	203,000
Equity in Sinking Funds (Note 8b)					**(44,967)**	(38,822)
Net sinking fund debentures outstanding					**158,033**	164,178

Other long-term debt outstanding

	2011	2010
Canada Mortgage and Housing Corporation ("CMHC") debt, maturity in 2025, interest rate of 3.35%	**3,109**	3,284
	161,142	167,462
Current portion of long-term debt	**(4,318)**	(4,181)
	$ 156,824	$ 163,281

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

	2012	2013	2014	2015	2016	Thereafter
Sinking fund debentures	$ -	$ 5,000	$ 13,000	$ 25,000	$ -	$ 160,000
CMHC	180	186	193	199	206	2,145
	$ 180	$ 5,186	$ 13,193	$ 25,199	$ 206	$ 162,145

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.

8. *Long-Term Debt (continued)*

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees 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.

c) Cash paid for interest during the year was $12.2 million (2010 - $12.1 million).

9. *Accumulated Surplus*

	2011	2010
Invested in tangible capital assets	**$ 700,269**	$ 688,090
Retained earnings	**67,579**	66,948
Utility dividend payment	**(7,048)**	-
	$ 760,800	$ 755,038

Beginning 2011, City Council approved The Utility Dividend Policy that directs the Waterworks System to make annual dividend payments to the City of 8% of budgeted gross sales.

10. *Revenue*

Effective January 1, 2011 the block 1 water rate was $1.34 per hundred cubic metre (2010 - $1.29).

11. *Taxes, Employee Benefits and Other*

Property taxes

Property 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 2011, taxes paid to the General Revenue Fund was $2.2 million (2010 - $2.2 million).

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2011 is $2.7 million (2010 - $2.8 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, 2011 is estimated at $607 thousand (2010 - $354 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, 2011 at $4.3 million (2010 - $3.7 million).

11. 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. An actuarial valuation has estimated the unrecorded liability at December 31, 2011 at $1.0 million (2010 - $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 $2.5 million (2010 - $2.5 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, 2010 and has disclosed an actuarial surplus.

Rent

Included in expenses is $1.1 million (2010 - $1.1 million) that has been charged by the Municipal Accommodations Fund for the rental of office space.

General government charges

Included in expenses is $1.1 million (2010 - $1.5 million) in general government and business technology service charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual business technology service charges applicable to the Waterworks System.

Insurance and damage claims

Included in expenses is $95 thousand (2010 - $56 thousand) charged by the Insurance Reserve.

12. 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 was calculated on 10% of water sales net of the transfers to the Water Treatment Reserve and other transfers to the General Revenue Fund. Beginning in 2009, City Council adopted a further motion that approved the discontinuation of transfers to the General Revenue Fund for general transfers and hydrant rentals. In addition, frontage levy revenue collected on the tax bill, which was reported in the Water Main Renewal Reserve Fund, be reported in the General Revenue Fund to pay for upgrading, repair, replacement, and maintenance of streets and sidewalks. Therefore, in the Reserve, the source of funding from frontage levies was replaced with revenue from water rates.

	2011	2010
Transfer to Water Main Renewal Reserve	**$ 13,000**	$ 12,000
Transfer to (from) General Capital Fund	**148**	(12)
	$ 13,148	$ 11,988

13. 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)

	2011 Budget	**2011 Actual**	2010 Actual
Sale of goods and services			
Water sales	**$ 88,091**	**$ 89,231**	$ 83,284
Fire hydrant and other rentals	**45**	**181**	131
Sale of scrap material	**15**	**11**	47
	88,151	**89,423**	83,462
Interest			
Sinking Fund earnings	**2,012**	**2,008**	1,733
Interest	**60**	**448**	237
Interest capitalized	**30**	**80**	178
	2,102	**2,536**	2,148
Government transfers, permits and other			
Permits and fees	**877**	**984**	1,089
Provincial support transfer	**738**	**710**	689
Transfer from Aqueduct Rehabilitation Reserve	**-**	**282**	-
Other	**158**	**160**	178
	1,773	**2,136**	1,956
Total Revenues	**$ 92,026**	**$ 94,095**	$ 87,566

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2011 Budget	2011 Actual	2010 Actual
Water distribution			
Water treatment plant	**$ 17,252**	**$ 16,553**	$ 13,928
Water main maintenance	**8,770**	**8,100**	6,974
Service pipe maintenance	**3,920**	**3,991**	4,378
General administration	**2,332**	**2,363**	2,187
Hydrant maintenance	**2,479**	**2,036**	2,231
Emergency services	**2,105**	**1,693**	1,721
Railway maintenance and operations	**1,757**	**1,426**	1,461
Water meter maintenance	**1,357**	**1,151**	1,185
Mechanical/civil/electrical maintenance allocation	**687**	**648**	1,060
Intake operation	**484**	**521**	575
Valve maintenance	**954**	**521**	449
Stores - 552 Plinguet	**343**	**476**	129
Meter shop	**76**	**74**	68
Water supply administration	**-**	**-**	15
Pumping stations	**-**	**-**	12
	42,516	**39,553**	36,373
Debt and finance			
Long-term debt			
Interest	**12,290**	**12,224**	12,151
Amortization	**6,149**	**-**	-
Finance charges	**100**	**92**	92
	18,539	**12,316**	12,243
Taxes, employee benefits and other			
Property taxes	**3,554**	**2,670**	2,498
Rent	**1,103**	**1,100**	1,106
General government charges	**921**	**921**	921
Provincial payroll tax	**807**	**737**	700
Employee benefits	**691**	**647**	1,146
Insurance and damage claims	**528**	**507**	575
Other services	**368**	**198**	240
Recoveries	**(400)**	**(900)**	(900)
	7,572	**5,880**	6,286

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2011 Budget	**2011 Actual**	2010 Actual
Engineering services division			
Water planning	**1,445**	**1,186**	958
Drafting and graphics	**564**	**532**	491
Design and construction	**719**	**488**	505
Administration	**(263)**	**418**	421
Asset management	**228**	**381**	223
Customer technical services	**432**	**349**	506
Services development	**169**	**140**	139
Land drainage/flood planning	**13**	**-**	-
Wastewater planning	**45**	**-**	-
	3,352	**3,494**	3,243
Finance and administration division			
Customer billing	**2,547**	**2,010**	2,052
Administrative services	**355**	**368**	364
Financial planning	**300**	**286**	269
Accounting services	**246**	**236**	249
Process improvement	**177**	**226**	143
Knowledge management	**174**	**119**	113
Landfill billing	**(6)**	**-**	-
	3,793	**3,245**	3,190
Information systems and technology division			
Major systems	**942**	**992**	771
Support services	**561**	**621**	570
	1,503	**1,613**	1,341
Customer services division			
Customer relations	**1,136**	**947**	1,225
Administration	**(27)**	**224**	326
Communications	**64**	**52**	72
Public consultation	**31**	**28**	37
	1,204	**1,251**	1,660
Environmental standards division			
Analytical services	**809**	**732**	572
Compliance	**293**	**288**	307
Administration	**-**	**136**	106
Research	**-**	**-**	2
	1,102	**1,156**	987

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2011 Budget	**2011 Actual**	2010 Actual
Human resources division			
Human resources	**437**	**328**	329
Human resources training	**246**	**193**	177
Timekeeping and payroll	**278**	**182**	177
Work place health and safety	**241**	**145**	137
	1,202	**848**	820
Total Expenses from Operations	**80,783**	**69,356**	66,143
Transfers to other funds (Note 12)			
Transfer to Water Main Renewal Reserve	**13,000**	**13,000**	12,000
Transfer to (from) General Capital Fund	**-**	**148**	(12)
Total transfer to other funds	**13,000**	**13,148**	11,988
Total Expenses	**$ 93,783**	**$ 82,504**	$ 78,131

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2011 Budget	2011 Actual	2010 Actual
Salaries	$ 34,519	$ 32,566	$ 31,901
Goods and services	32,452	29,734	26,460
Transfers	13,619	13,625	12,465
Interest on long-term debt	12,290	12,224	12,151
Employee benefits	5,918	6,093	5,642
Other expenses	6,120	5,062	5,077
Grants	105	105	100
Finance charges	100	92	92
Amortization	6,149	-	-
Recoveries	(17,489)	(16,997)	(15,757)
Total Expenses	$ 93,783	$ 82,504	$ 78,131

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 4

NET SURPLUS (DEFICIT) FROM CAPITAL

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

	2011 Actual	2010 Actual
Revenues		
Transfers		
Water Main Renewal Reserve	**$ 13,316**	$ 11,244
Sewage Disposal System	**718**	879
Aqueduct Rehabilitation Reserve	**18**	3
	14,052	12,126
Developer contributions-in-kind	**7,824**	6,259
Total revenue from capital	**21,876**	18,385
Expenses		
Amortization	**20,178**	19,782
Other expenses	**279**	556
Loss on disposal of tangible capital assets	**200**	766
Total expenses from capital	**20,657**	21,104
Net surplus (deficit) from capital	**$ 1,219**	$ (2,719)

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	$ 1,824	$ 5,623	$ 9,805	$ 36,264
Add: Additions during the year	-	55	127	1,439
Less: Disposals during the year	-	-	-	-
Balance, end of year	1,824	5,678	9,932	37,703
Accumulated amortization				
Balance, beginning of year	-	1,765	8,677	23,136
Add: Amortization	-	108	140	1,900
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	-	1,873	8,817	25,036
Net Book Value of Tangible Capital Assets	$ 1,824	$ 3,805	$ 1,115	$ 12,667

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	**2011**	2010
$ 700,861	$ 401,627	$ 3,747	**$ 1,159,751**	$ 1,123,054
26,686	718	(17)	**29,008**	39,500
(2,631)	(200)	-	**(2,831)**	(2,803)
724,916	402,145	3,730	**1,185,928**	1,159,751
214,665	59,163	-	**307,406**	289,661
10,313	7,717	-	**20,178**	19,782
(2,631)	-	-	**(2,631)**	(2,037)
222,347	66,880	-	**324,953**	307,406
$ 502,569	$ 335,265	$ 3,730	**$ 860,975**	$ 852,345

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, and the aquatic environment through adequate collection and treatment of the wastewater generated in Winnipeg as well as hauled liquid waste received from surrounding communities. 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, Utility Dividend and transfers to the Environmental Projects Reserve.

City Council approved The Utility Dividend Policy on March 22, 2011. The policy states the utility will pay an annual dividend to the City of Winnipeg based on 8% of budgeted gross sales for the current year. The dividend policy is to be reviewed every four years within three months of each new term of City Council. The Sewage Disposal dividend was $10.1 million in 2011.

An Environmental Projects Reserve Fund was authorized by City Council on December 17, 1993. It was established to fund environmental projects that would protect 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, nutrient removal, and mitigation of combined sewer overflows.

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. The CEC made several recommendations to upgrade and improve the wastewater collection and treatments systems, which was subsequently supported by the Minister of Conservation. In response, Manitoba Conservation 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 stipulate specific terms and conditions that the wastewater treatment plants must be upgraded to in order to be incompliance. With this direction, a wastewater upgrade program was developed and provisioned for effluent disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, solids management, and other CEC recommendations. Based on preliminary assessments, the upgrade program is estimated to cost between $1.2 to $1.8 billion depending on market factors and interpretation on compliance requirements.

Wastewater treatment upgrades to the NEWPCC effluent disinfection, NEWPCC centrate, and WEWPCC plant are complete and fully operational. The nutrient removal upgrades at the NEWPCC and WEWPCC plants are removing more than the required interim reduction targets of 13% nitrogen and 10% phosphorus on a citywide basis.

Engineering design efforts on nutrient removal at the SEWPCC were initiated in 2006, with construction to be completed by December 30, 2016, subject to approval of the Conceptual Design by Manitoba Conservation. Engineering design efforts for the NEWPCC nutrient reduction and recovery, including solids handling, was initiated in 2011 and will take into consideration Bill 46, The Save Lake Winnipeg Act, which is a provincial bill that stipulates the nutrient removal criteria.

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2011	2010	2009	2008	2007
Rate in dollars (per cubic meter)	**$ 1.97**	$ 1.91	$ 1.86	$ 1.81	$ 1.58
Annual sewage received (million litres)*	**104,784**	114,941	112,974	103,397	107,310
Daily sewage received (million litres)*	**290.4**	314.9	309.5	283.3	294.0
Kilometres of interceptor sewers	**120.8**	120.8	116.2	116.4	114.4
Kilometres of combined sewers**	**1,041.7**	1,040.5	1,043.5	1,044.5	1,045.4
Kilometres of wastewater sewers	**1,376.4**	1,359.6	1,351.6	1,323.6	1,313.5
Kilometres of storm sewers	**1,123.8**	1,667.0	1,659.3	1,803.0	1,775.0
Number of lift stations	**74**	73	73	75	76
Number of billed sewer services	**195,807**	194,060	192,569	191,854	190,790

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.

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2011	2010
ASSETS		
Current		
Cash	**$ 1**	$ 1
Inventory	**220**	239
Accounts receivable (Note 3)	**28,428**	27,041
Prepaid expenses	**1,067**	-
Due from General Revenue Fund (Note 4)	**63,752**	70,903
	93,468	98,184
Tangible capital assets (Note 5)	**814,124**	797,013
	$ 907,592	$ 895,197
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 7,459**	$ 6,819
Performance and other deposits	**891**	464
Current portion of long-term debt (Note 7)	**3,848**	6,907
	12,198	14,190
Long-term debt (Note 7)	**10,660**	17,598
	22,858	31,788
ACCUMULATED SURPLUS (Note 8)	**884,734**	863,409
	$ 907,592	$ 895,197

Commitment (Note 9)

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)

	2011 Budget	2011 Actual	2010 Actual
REVENUES (Schedule 1)			
Sewer services (Note 10)	**$ 126,689**	**$ 127,492**	$ 121,270
Government transfers, permits and other	**4,496**	**7,838**	5,108
Interest	**3,347**	**3,987**	3,350
Total revenues	**134,532**	**139,317**	129,728
EXPENSES (Schedules 2 and 3)			
Collection, interception and treatment	**37,602**	**41,145**	33,112
Taxes, employee benefits and other (Note 11)	**12,564**	**12,152**	11,691
Debt and finance	**14,003**	**6,895**	7,035
Engineering services	**4,817**	**4,385**	4,679
Finance and administration	**3,739**	**2,997**	3,030
Environmental standards	**2,280**	**2,045**	2,056
Information systems and technology	**1,379**	**1,385**	1,235
Customer services	**1,049**	**1,007**	903
Human resources	**484**	**714**	718
Total expenses from operations	**77,917**	**72,725**	64,459
Surplus for the year from operations	**56,615**	**66,592**	65,269
Transfers to other funds (Note 12)	**40,671**	**40,782**	37,450
Net surplus for the year from operations after transfer to other funds	**15,944**	**25,810**	27,819
Net surplus from capital (Schedule 4)	**-**	**5,650**	2,101
Net surplus for the year	**$ 15,944**	**31,460**	29,920
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**863,409**	833,489
CITY OF WINNIPEG - GENERAL REVENUE FUND UTILITY DIVIDEND PAYMENT		**(10,135)**	-
ACCUMULATED SURPLUS, END OF YEAR		**$ 884,734**	$ 863,409

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)

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 31,460**	$ 29,920
Non-cash items related to operations		
Amortization	**19,156**	18,650
Net assets transferred to General Capital Fund	**-**	3
Write-down of tangible capital asset	**4,006**	-
Loss on disposal of tangible capital assets	**2,786**	517
Working capital from operations	**57,408**	49,090
Change in net working capital other than cash	**(1,368)**	3,988
	56,040	53,078
FINANCING		
Debt retired	**(4,682)**	(1,436)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(3,047)**	(2,794)
Due from General Revenue Fund	**7,151**	(11,222)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(2,268)**	(2,268)
Utility dividend payment	**(10,135)**	-
Other	**-**	(22)
	(12,981)	(17,742)
INVESTING		
Purchase of tangible capital assets	**(43,059)**	(35,336)
Cash, beginning of year	**1**	1
Cash, end of year	**$ 1**	$ 1

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise 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
Information systems	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

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 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-lay 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 October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the future sources of funding for the Sewer System Rehabilitation Reserve Fund will include revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest.

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 nature of the projects reported in this Reserve.

The 2011 sewer rate includes a provision of 22 cents (2010 - 22 cents) per cubic meter of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2011, $13.8 million (2010 - $12.0 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*

		2011		2010
Sewer billings	**$**	**25,600**	$	26,033
Provincial grant receivable		**1,500**		-
Other		**1,328**		1,008
	$	**28,428**	$	27,041

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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

5. *Tangible Capital Assets*

	Net Book Value			
		2011		2010
Land	**$**	**1,438**	$	1,438
Buildings		**393**		314
Equipment		**257**		287
Information technology		**152**		175
Underground networks		**549,551**		534,585
Sewage treatment plants and lift stations		**243,509**		243,386
Assets under construction		**18,824**		16,828
	$	**814,124**	$	797,013

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

During 2011 there was a $4.0 million (2010 - $nil) write-down of tangible capital assets. Interim financing charges capitalized during 2011 were $255 thousand (2010 - $183 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled $9.8 million in 2011 (2010 - $5.2 million) and were capitalized at their fair value at the time of receipt.

6. Accounts Payable and Accrued Liabilities

	2011	2010
Trade accounts payable	**$ 4,488**	$ 3,356
Accrued debenture interest	**2,791**	2,822
Other accrued liabilities	**180**	641
	$ 7,459	$ 6,819

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt 2011	Amount of Debt 2010
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
					75,000	75,000
Equity in Sinking Fund (Note 7b)					**(64,182)**	(58,867)
Net sinking fund debentures outstanding					**10,818**	16,133
Other long-term debt outstanding						
Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.98% (2010 - 4.91%)					**3,690**	5,196
Equity in Capital Assets Fund debt					**-**	51
Pointe West Properties debt, maturity in 2011, interest rate of 6.65%					**-**	3,125
					14,508	24,505
Current portion of long-term debt					**(3,848)**	(3,774)
Current portion of Equity in Capital Assets Fund debt					**-**	(8)
Current portion of Pointe West Properties debt					**-**	(3,125)
Current portion of long-term debt					**(3,848)**	(6,907)
					$ 10,660	$ 17,598

Principal retirement on long-term debt over the remaining three years is as follows:

	2012	2013	2014
Sinking fund debentures	$ -	$ 40,000	$ 35,000
Serial and installment	1,580	1,659	451
	$ 1,580	$ 41,659	$ 35,451

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 Trustees on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City in a separate fund. 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 \$6.9 million (2010 - \$7.0 million).

d) Interest paid to the Equity in Capital Assets Fund during 2011 was \$nil (2010 - \$4 thousand).

8. Accumulated Surplus

	2011	2010
Invested in tangible capital assets	**\$ 806,523**	\$ 772,537
Retained earnings	**88,346**	90,872
Utility dividend payment	**(10,135)**	-
	\$ 884,734	\$ 863,409

9. Commitment

On April 20, 2011, the City entered into an agreement with VWNA Winnipeg Inc. (“Veolia”) for the provision of expert advice to the City to assist with construction and operating improvements to the City’s sewage treatment system (the “Program”). The agreement is effective May 1, 2011, and has a term of 30 years, subject to certain termination provisions.

The City’s sewage treatment system treats and handles wastewater and resulting residuals at its existing three major sewage treatment facilities, the South End, West End and North End Water Pollution Control Centres (the “Facilities”). Veolia’s role will be to provide services to the City and representatives of Veolia will work collaboratively with representatives of the City providing advice and recommendations to the City in respect of the City (i) management and operation of the Facilities for the handling and treatment of wastewater; (ii) assessment, planning and delivery of upgrades and capital modification to the Facilities; and (iii) assessment, planning and delivery of operational improvements to the Facilities during the term of this agreement. The Program will not include the City’s supply of water or its waterworks system or work relating to the collection system or land drainage system.

Under the agreement, the City will: retain complete ownership of all the sewage system assets; continue to exercise control over the sewage treatment systems by means of the City Council budget approvals and by the setting of service quality standards that will be reported publicly on a regular basis; continue to control operating and maintenance parameters by which the sewage system shall operate; and retain full accountability for compliance with regulatory permits and licenses.

Decisions for the sewage treatment system will be made by the City based upon the best advice of City management and Veolia experts working together.

The agreement provides both parties with a variety of responsibilities, rights, protections, and obligations reflecting reasonable commercial terms.

9. Commitment (continued)

Compensation to Veolia under the Agreement includes the following components:

1. Re-imbursement of Veolia's actual direct costs related to the Program ("Direct Costs");
2. An agreed upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost ("Fee");
3. For operations and capital projections under the Program, a target cost will be set. Veolia will receive a share of the savings when actual operating costs and/or capital costs are below target costs ("Gainshare"). Veolia will receive a share of expense when actual operating costs and/or capital costs are above target costs ("Painshare"); and
4. Key performance indicators ("KPIs") will be established under the Program. Veolia will earn amounts for exceeding established KPIs ("KPI earnings"), and will deducted amounts for failing to achieve minimum KPIs ("KPI Deductions").

The agreement only guarantees payment to Veolia in respect of the Direct Costs incurred by it in providing services (Item #1 above).

Amounts earned by Veolia over the term of the agreement (Fee, Gainshare, and KPI earnings) are credited to an Earning at Risk Account ("EARA"). Painshare and KPI deductions reduce the EARA. All of these amounts are not guaranteed to be paid to Veolia, and by their nature, are dependent on the financial and overall results of the Program.

Veolia's withdrawals of amounts from the EARA are subject to certain limits and security posting requirements.

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

The agreement established a Performance Guarantee Security ("PGS"), which is a letter of credit and performance bond that together provide security to the City. At December 31, 2011, prepaid expenses include $1.1 million on account of the City's payment of Direct Costs related to the PGS.

In addition to the PGS, Veolia is providing a Parental Guarantee by its parent company.

The Direct Costs are recorded at the time they became payable to Veolia. The fee amounts are recorded at the time those Fee payments became due under the terms of the contract. If, in future periods, any of this Fee amount so recorded would become receivable by the City as a result of the application of the Painshare or KPI deduction mechanisms, then the City's entitlement to these amounts would be recorded as a reduction of expenses or a reduction of the related capital asset at the time the events which caused the rebate occurred. The Gainshare, Painshare KPI earnings, and KPI deductions are recorded at such time that they are determined. To the extent that there are Gainshare and/or KPI Earnings amounts that are subsequently repaid to the City, then these amounts would be recorded as a reduction of expenses or a reduction of the related capital asset at the time the events which caused the rebate occurred.

10. Revenue

The 2011 sewer rate increased to $1.97 per cubic meter (2010 - $1.91). The Environmental Projects Reserve contribution for 2011 was 22.0 cents per cubic meter (2010 - 22.0 cents).

11. *Taxes, Employee Benefits and Other*

Property taxes

Property 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 2011, realty taxes paid and transferred to the General Revenue Fund was $8.4 million (2010 - $7.9 million).

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2011 is $1.2 million (2010 - $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, 2011 is estimated at $528 thousand (2010 - $416 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, 2011 is estimated at $0.5 million (2010 - $0.3 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, 2011 at $1.7 million (2010 - $1.8 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 $1.1 million (2010 - $1.1 million) 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, 2010 and has disclosed an actuarial surplus.

General government charges

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2011, this amounted to $0.9 million (2010 - $0.9 million) and was transferred to the General Revenue Fund.

Rent

Included in expenses is $1.1 million (2010 - $1.1 million) that has been charged by the Municipal Accommodations Fund for the rental of office space.

Insurance and damage claims

Included in expenses is $110 thousand (2010 - $886 thousand) that has been received by the Insurance Reserve Fund.

12. Transfers to Other Funds

The Sewage Disposal System, as approved through the annual operating budget, funds 100% of land drainage costs. In 2011, $13.7 million (2010 - $13.4 million) was contributed to the General Revenue Fund to support the land drainage program.

	2011	2010
Transfer to Environmental Projects Reserve	**$ 13,822**	$ 11,993
Transfer to General Revenue Fund	**13,665**	13,441
Transfer to Sewer System Rehabilitation Reserve	**13,200**	12,000
Transfer to General Capital Fund	**95**	16
	$ 40,782	$ 37,450

13. 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)

	2011 Budget	2011 Actual	2010 Actual
Sewer services	**$ 126,689**	**$ 127,492**	$ 121,270
Government transfers, permits and other			
Industrial waste surcharges	**3,000**	**2,421**	1,999
Provincial transfers	**813**	**1,810**	302
Other	**528**	**1,445**	2,071
Transfer from General Capital Fund	**-**	**1,000**	-
Non-household waste hauled	**-**	**620**	486
Permits and fees	**155**	**542**	250
	4,496	**7,838**	5,108
Interest			
Sinking Fund earnings	**3,047**	**3,047**	2,794
Interest	**100**	**685**	373
Capitalized	**200**	**255**	183
	3,347	**3,987**	3,350
Total Revenues	**$ 134,532**	**$ 139,317**	$ 129,728

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2011 Budget	2011 Actual	2010 Actual
Collection, interception and treatment			
North end water pollution control centre	$ 11,781	$ 12,751	$ 11,230
Local sewer	6,087	6,232	5,775
Administration	3,387	5,393	2,398
South end water pollution control centre	3,420	4,022	3,010
Sludge disposal	2,574	3,071	2,130
Interception system	2,251	2,360	2,270
West end water pollution control centre	2,097	2,172	2,065
Mechanical maintenance	2,284	2,165	2,092
Electrical maintenance/instrumentation	1,925	1,656	1,336
Civil maintenance	1,142	919	806
Process control	654	404	-
	37,602	41,145	33,112
Taxes, employee benefits and other			
Property taxes	8,370	8,374	7,939
Miscellaneous	1,991	1,506	1,551
Rent	1,103	1,100	1,106
General government charges	899	899	898
Employee benefits	604	488	694
Insurance and claims	369	432	362
Provincial payroll tax	328	329	303
Recoveries	(1,100)	(976)	(1,162)
	12,564	12,152	11,691
Debt and finance			
Long-term debt interest	6,886	6,886	7,031
Finance charges	200	9	4
Amortization - debt principal	6,917	-	-
	14,003	6,895	7,035
Engineering services			
Wastewater planning	1,465	1,443	1,263
Sewer connections	900	807	951
Drafting and graphic	525	532	491
Design and construction	678	491	504
Administrative services	443	417	538
Customer technical services	391	349	505
Asset management	207	156	238
Engineering services development	158	140	139
Land drainage and flood planning	50	50	50
	4,817	4,385	4,679

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2011 Budget	**2011 Actual**	2010 Actual
Finance and administration			
Customer accounts	**2,548**	**2,007**	2,149
Administrative services	**556**	**407**	303
Financial planning	**263**	**241**	235
Financial services	**218**	**198**	218
Process improvement	**154**	**144**	125
	3,739	**2,997**	3,030
Environmental standards			
Analysis	**1,368**	**1,217**	1,240
Industrial waste	**575**	**497**	496
Administration	**240**	**234**	293
Compliance	**97**	**97**	27
	2,280	**2,045**	2,056
Information systems and technology			
Major systems	**861**	**862**	736
Support services	**518**	**523**	499
	1,379	**1,385**	1,235
Customer services			
Customer relations	**977**	**948**	603
Administration	**55**	**44**	224
Communications	**12**	**10**	50
Public consultation	**5**	**5**	26
	1,049	**1,007**	903
Human resources			
Human resources	**199**	**276**	288
Human resources training	**99**	**163**	155
Timekeeping and payroll	**105**	**153**	155
Work place health and safety	**81**	**122**	120
	484	**714**	718
Total Expenses from Operations	**77,917**	**72,725**	64,459

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2011 Budget	**2011 Actual**	2010 Actual
Transfers to other funds (Note 12)			
Transfer to Environmental Projects Reserve	**13,571**	**13,822**	11,993
Transfer to General Revenue Fund	**13,665**	**13,665**	13,441
Transfer to Sewer System Rehabilitation Reserve	**13,200**	**13,200**	12,000
Transfer to General Capital Fund	**235**	**95**	16
	40,671	**40,782**	37,450
Total Expenses	**$ 118,588**	**$ 113,507**	$ 101,909

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2011 Budget	**2011 Actual**	2010 Actual
Transfers to other funds	**$ 40,671**	**$ 40,782**	$ 37,450
Goods and services	**37,751**	**40,296**	33,017
Salaries	**15,327**	**14,425**	14,368
Other expenses	**11,121**	**11,045**	11,524
Interest on long-term debt	**13,803**	**6,886**	7,031
Employee benefits	**2,851**	**2,939**	2,741
Finance charges	**200**	**9**	4
Recoveries	**(3,136)**	**(2,875)**	(4,226)
Total Expenses	**$ 118,588**	**$ 113,507**	$ 101,909

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2011 Actual	2010 Actual
Revenues		
Transfer from Sewer System Rehabilitation Reserve	**$ 12,549**	$ 13,140
Provincial and Federal capital transfers	**7,138**	5,195
Transfer from Environmental Projects Reserve	**7,088**	5,088
	26,775	23,423
Developer contributions-in-kind	**9,773**	5,235
	36,548	28,658
Expenses		
Amortization	**19,156**	18,650
Capital maintenance	**4,232**	3,215
Write-down of tangible capital assets	**4,006**	-
Loss on disposal of tangible capital assets	**2,786**	517
Transfer to Waterworks System	**718**	879
Transfer to General Capital Fund	**-**	3,296
	30,898	26,557
Net surplus from capital	**$ 5,650**	$ 2,101

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	Information Technology
Cost				
Balance, beginning of year	$ 1,438	$ 885	$ 388	$ 228
Add: Additions during the year	-	89	9	-
Less: Disposals during the year	-	-	-	-
Less: Transfer to General Capital Fund	-	-	-	-
Balance, end of year	1,438	974	397	228
Accumulated amortization				
Balance, beginning of year	-	571	101	53
Add: Amortization	-	10	39	23
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	-	581	140	76
Net Book Value of Tangible Capital Assets	$ 1,438	$ 393	$ 257	$ 152

Infrastructure			Totals	
Underground Networks	Sewage Treatment Plants and Lift Stations	Assets Under Construction	**2011**	2010
$ 842,703	$ 382,752	$ 16,828	**$ 1,245,222**	$ 1,211,611
29,087	11,878	1,996	**43,059**	35,336
(8,912)	(4,007)	-	**(12,919)**	(1,722)
-	-	-	**-**	(3)
862,878	390,623	18,824	**1,275,362**	1,245,222
308,118	139,366	-	**448,209**	430,764
11,336	7,748	-	**19,156**	18,650
(6,127)	-	-	**(6,127)**	(1,205)
313,327	147,114	-	**461,238**	448,209
$ 549,551	$ 243,509	$ 18,824	**$ 814,124**	$ 797,013

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 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. The commercial tipping fee is $33.50 per tonne. Commercial tonnage coming to the Brady Road landfill has increased about 4% from 2010, as a result of shifting some small load customers to commercial rates. The amount of commercial waste at Brady Road is estimated to be about 25% to 30% of market share. The internal tipping fee is $22.50 per tonne. In 2011, waste was also received from Falcon Lake and Hecla Island Provincial Parks.

Waste minimization programs include multi-material residential recycling for 187,000 single-family and 103,000 multi-family residences, depot recycling, "Let's Chip-In" (Christmas tree recycling), Yard Waste Collection Leaf it With Us (leaf collection and composting), Office Paper Recycling, Back Yard Composting and public information/education programs. Recycling volumes in 2011 were 45,831 tonnes, a decrease of 2% from 2010. Organics diversion was 9,181 tonnes, an increase of 28% from 2010.

The revenues from the recycling programs are comprised of support payments received from the Multi Material Stewardship Manitoba ($108 per tonne) and from the sale of the recyclables. In 2011, the City realized $9.9 million in revenue (2010 - $7.6 million).

In 2009 the Province of Manitoba introduced the Provincial Waste Reduction and Recycling Support initiative. Under this program, a levy is collected based on the volume of waste disposed at landfills within Manitoba. The levy is $10 per tonne on residential and commercial and $5 per half tonne on small loads. Based on the total dollar amount of the levy collected throughout the province, grants are awarded to municipalities dependent on their share volumes of total recycling within the province.

In 2009, City Council approved the introduction of an automated system for garbage collection. The advantage of this program is a reduction in the cost of collection and disposal in the long term, and an increase in recycling tonnes through garbage diversion.

The roll out of this program commenced in 2010 with the North West part of Winnipeg. The entire city will transit to this automated garbage collection system in the fourth quarter of 2012.

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

FIVE-YEAR REVIEW

December 31
(unaudited)

	2011	2010	2009	2008	2007
Solid Waste (tonnes)					
Single family residential	**163,923**	176,215	185,587	183,245	182,894
Multi-family and small commercial	**46,292**	46,571	45,330	46,600	46,467
Large commercial / industrial	**87,520**	84,515	95,359	86,381	103,459
Other (1)	**146,678**	101,775	99,172	111,025	100,066
Charitable organization	**2,351**	2,067	1,907	2,298	1,618
Total landfill tonnage	**446,764**	411,143	427,355	429,549	434,504
Clean fill, concrete, automotive shredder residue and sawdust	**120,588**	112,682	197,718	191,585	169,055
Residential small loads Number of loads	**96,661**	112,073	104,726	102,975	100,123
Recyclables (tonnes)					
Blue box	**35,596**	36,434	34,841	36,167	35,072
Depots/apartments	**10,235**	10,494	9,534	9,393	8,631
Total	**45,831**	46,928	44,375	45,560	43,703

1) Includes tonnage for small load based on an estimated weight entering the landfill. In 2009 the estimate was decreased from 750kg per load to 500kg per load, a decrease of 33 per cent, to align with the Environmental Levy from the province.

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

STATEMENT OF FINANCIAL POSITION

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

	2011	2010
ASSETS		
Current		
Cash	**$ 124**	$ 73
Due from General Revenue Fund (Note 3)	**-**	805
Accounts receivable (Note 4)	**8,675**	5,789
	8,799	6,667
Tangible capital assets (Note 5)	**4,950**	4,892
	$ 13,749	$ 11,559
LIABILITIES		
Current		
Due to General Revenue Fund (Note 3)	**$ 786**	$ -
Accounts payable and accrued liabilities (Note 6)	**3,284**	3,235
Current portion of long-term debt (Note 7)	**30**	30
	4,100	3,265
Long-term debt (Note 7)	**232**	296
	4,332	3,561
ACCUMULATED SURPLUS (Note 8)	**9,417**	7,998
	$ 13,749	$ 11,559

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)

	2011 Budget	2011 Actual	2010 Actual
REVENUES (Schedule 1)			
Sales of services and regulatory fees	**$ 19,220**	**$ 19,940**	$ 17,068
Government transfers and other	**4,661**	**4,996**	6,337
Interest	**42**	**114**	85
Total revenues	**23,923**	**25,050**	23,490
EXPENSES (Schedules 2 and 3)			
Solid waste disposal	**20,966**	**20,728**	17,979
Employee benefits, taxes and other (Note 9)	**307**	**269**	258
Debt and finance	**156**	**91**	91
Total expenses from operations	**21,429**	**21,088**	18,328
Surplus for the year from operations	**2,494**	**3,962**	5,162
Transfers to other funds (Note 10)	**2,566**	**1,454**	4,720
Surplus (Deficit) from operations after transfers to other funds	**(72)**	**2,508**	442
Net deficit from capital (Schedule 4)	**-**	**(1,089)**	(411)
Net surplus (deficit) for the year	**$ (72)**	**1,419**	31
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**7,998**	7,967
ACCUMULATED SURPLUS, END OF YEAR		**$ 9,417**	$ 7,998

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)

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 1,419**	$ 31
Non-cash items related to operations		
Amortization	**195**	230
Working capital from operations	**1,614**	261
Change in net working capital other than cash	**(2,837)**	(2,781)
	(1,223)	(2,520)
FINANCING		
Due to/from General Revenue Fund	**1,591**	3,240
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(34)**	(32)
Payments to The Sinking Fund Trustees for outstanding debt	**(30)**	(30)
	1,527	3,178
INVESTING		
Purchase of tangible capital assets	**(253)**	(667)
Increase (decrease) in cash	**51**	(9)
Cash position, beginning of year	**73**	82
Cash position, end of year	**$ 124**	$ 73

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise 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
Information technology	5 to 10 years

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 to/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 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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

4. Accounts Receivable

	2011	2010
Refuse disposal and recycling	**$ 8,856**	$ 5,909
Allowance for doubtful accounts	**(181)**	(120)
	$ 8,675	$ 5,789

5. Tangible Capital Assets

	Net Book Value **2011**	Net Book Value 2010
Land	**$ 541**	$ 541
Land improvements	**708**	529
Machinery and equipment	**2,858**	3,023
Information technology	**62**	71
	4,169	4,164
Assets under construction	**781**	728
	$ 4,950	$ 4,892

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 (2010 - $nil). Administration fees and interim financing charges capitalized during 2011 were $54 thousand (2010 - $18 thousand).

6. *Accounts Payable and Accrued Liabilities*

	2011	2010
Waste reduction and recycling support levy	**$ 2,202**	$ 2,176
Trade accounts payable	**1,051**	971
Other accrued liabilities	**19**	76
Accrued debenture interest payable	**12**	12
	$ 3,284	$ 3,235

7. *Long-Term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2011**	Amount of Debt 2010
1995-2015	May 12	9.125	VR	6620/95	**$ 1,000**	$ 1,000
Equity in Sinking Fund (Note 7b)					**(738)**	(674)
Net sinking fund debentures outstanding					**262**	326
Current portion of long-term debt					**(30)**	(30)
					$ 232	$ 296

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

	2012	2013	2014	2015	2016
Sinking fund debentures	$ -	$ -	$ -	$ 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 Trustees on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City in a separate fund. 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 $0.1 million (2010 - $0.1 million).

8. Accumulated Surplus

		2011		2010
Invested in tangible capital assets	**$**	**4,787**	$	4,702
Retained earnings		**4,630**		3,296
	$	**9,417**	$	7,998

9. Employee Benefits, Taxes and Other

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, 2011 is $0.16 million (2010 - $0.15 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, 2011 is estimated at $149 thousand (2010 - $23 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, 2011 at $0.3 million (2010 - $0.3 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2011 at $56 thousand (2010 - $33 thousand).

Solid Waste employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates is pension costs to various departments. During 2011, $139 thousand (2010 - $138 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, 2010 and has an actuarial surplus.

General Government charges

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2011 this amounted to $134 thousand (2010 - $133 thousand) and was transferred to the General Revenue Fund.

Property taxes

Property taxes represent full taxes paid to The City of Winnipeg General Revenue Fund. In 2011, the amount incurred was $36 thousand (2010 - $29 thousand).

Insurance and damage claims

The Solid Waste Disposal Fund was charged $32 thousand (2010 - $14 thousand) by the Insurance Reserve Fund.

10. Transfers to Other Funds

		2011		2010
Transfer to General Revenue Fund	**$**	**1,265**	$	4,449
Transfer to Brady Landfill Site Rehabilitation Reserve		**189**		171
Transfer to Solid Waste Disposal Fund - Capital (Schedule 4)		**-**		100
	$	**1,454**	$	4,720

Included in various expense categories is an amount of $147 thousand (2010 - $130 thousand) that has been charged by the Municipal 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.

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 1

REVENUES

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

	2011 Budget	2011 Actual	2010 Actual
Sales of services and regulatory fees			
Recycling	**$ 9,657**	**$ 9,909**	$ 7,650
Landfill tipping fees	**9,063**	**9,582**	8,806
Small load fees	**500**	**449**	612
	19,220	**19,940**	17,068
Government transfers and other			
Waste reduction support	**4,604**	**4,905**	6,266
Provincial support	**57**	**54**	71
Transfer from Solid Waste Disposal Fund - Capital (Schedule 4)	**-**	**37**	-
	4,661	**4,996**	6,337
Interest			
Interest capitalized	**5**	**54**	18
Sinking Fund earnings	**35**	**34**	32
Late payment charges	**-**	**25**	21
Interest	**2**	**1**	14
	42	**114**	85
Total Revenues	**$ 23,923**	**$ 25,050**	$ 23,490

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 2

EXPENSES

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

	2011 Budget	2011 Actual	2010 Actual
Solid waste disposal			
Recycling	**$ 12,333**	**$ 12,134**	$ 10,507
South West Operations	**6,698**	**6,797**	5,641
Landfill and environmental	**1,011**	**810**	1,033
Waste minimization	**838**	**647**	476
Take Pride Winnipeg	**146**	**202**	186
Administration	**(60)**	**138**	136
	20,966	**20,728**	17,979
Employee benefits, taxes and other			
General government charges	**134**	**134**	134
Employee benefits	**179**	**113**	106
Provincial payroll tax	**58**	**56**	53
Property taxes	**35**	**37**	37
Insurance and damage claims	**34**	**34**	33
Departmental recoveries	**(133)**	**(105)**	(105)
	307	**269**	258
Debt and finance			
Interest on long-term debt	**156**	**91**	91
Total Expenses from Operations	**21,429**	**21,088**	18,328
Transfers to other funds (Note 10)			
Transfer to General Revenue Fund	**2,400**	**1,265**	4,449
Transfer to Brady Landfill Site Rehabilitation Reserve	**166**	**189**	171
Transfer to Solid Waste Disposal Fund - Capital (Schedule 4)	**-**	**-**	100
	2,566	**1,454**	4,720
Total Expenses	**$ 23,995**	**$ 22,542**	$ 23,048

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 3

EXPENSES BY OBJECT

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

	2011 Budget	**2011 Actual**	2010 Actual
Goods and services	**$ 18,827**	**$ 18,110**	$ 15,616
Salaries	**1,935**	**2,023**	1,954
Transfers	**2,566**	**1,454**	4,720
Employee benefits	**472**	**491**	390
Other expenses	**388**	**473**	426
Finance charges	**4**	**103**	43
Interest on long-term debt	**156**	**91**	91
Recoveries	**(353)**	**(203)**	(192)
Total Expenses	**$ 23,995**	**$ 22,542**	$ 23,048

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 4

DEFICIT FROM CAPITAL

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

	2011 Actual	2010 Actual
Revenues		
Transfer from Solid Waste Disposal Fund - Operating (Note 10)	**$ -**	$ 100
Province of Manitoba	**-**	52
	-	152
Expenses		
Capital - computer software and capital studies	**482**	156
Capital maintenance	**375**	177
Amortization	**195**	230
Transfer to Solid Waste Disposal Fund - Operating (Schedule 1)	**37**	-
Total expenses from capital	**1,089**	563
Net deficit from capital	**$ (1,089)**	$ (411)

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	$ 3,632	$ 273	$ 4,286
Add: Additions during the year	-	200	-	-
Balance, end of year	541	3,832	273	4,286
Accumulated amortization				
Balance, beginning of year	-	3,103	273	1,263
Add: Amortization	-	21	-	165
Balance, end of year	-	3,124	273	1,428
Net Book Value of Tangible Capital Assets	$ 541	$ 708	$ -	$ 2,858

Information Technology	Assets Under Construction	Totals 2011	Totals 2010
$ 93	$ 728	**$ 9,553**	$ 8,886
-	53	**253**	667
93	781	**9,806**	9,553
22	-	**4,661**	4,431
9	-	**195**	230
31	-	**4,856**	4,661
$ 62	$ 781	**$ 4,950**	$ 4,892

PHOTO: Brent Bellamy, courtesy Tourism Winnipeg

Special Operating Agencies Detailed Financial Statements 2011

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2011	2010
FINANCIAL ASSETS		
Cash	**$ 23,725**	$ 17,906
Accounts receivable (Note 3)	**65,775**	55,531
	89,500	73,437
LIABILITIES		
Due to the City Of Winnipeg - General Revenue Fund (Note 4)	**212,660**	903,354
Accounts payable and accrued liabilities	**62,021**	91,487
Deferred revenue	**1,305,758**	679,518
Vacation and overtime payable	**85,788**	110,259
Retirement allowance and compensated absences (Note 5a)	**65,000**	104,000
	1,731,227	1,888,618
NET FINANCIAL LIABILITIES	**(1,641,727)**	(1,815,181)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**48,548**	48,187
Inventories	**8,158**	4,664
Prepaid expenses	**64,291**	30,917
	120,997	83,768
ACCUMULATED DEFICIT	**$ (1,520,730)**	$ (1,731,413)

Commitments (Note 7)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

For the years ended December 31

	Budget 2011 (unaudited)	Actual 2011	Actual 2010
REVENUES			
Government transfers	**$ 25,955**	**$ 25,318**	$ 24,080
Regulation fees	**1,400,779**	**1,403,781**	1,127,039
Sales of goods and services	**41,536**	**95,965**	102,403
Transfer (Note 8)	**1,334,276**	**1,389,046**	1,154,276
Other revenue	**11,195**	**45,125**	17,511
Total Revenues	**2,813,741**	**2,959,235**	2,425,309
EXPENSES			
Salaries and employee benefits	**1,340,940**	**1,343,190**	1,332,844
Grants, transfers and other	**25,955**	**519,018**	23,499
Services (Note 9)	**986,397**	**326,494**	677,103
Rent (Note 9)	**211,437**	**211,437**	210,822
Administrative expenses (Note 9)	**162,122**	**157,958**	157,958
Material, parts and supplies	**86,306**	**127,069**	96,849
Debt and finance charges	**19,279**	**33,818**	15,707
Amortization	**24,234**	**22,198**	24,724
Assets and purchases	**500**	**5,680**	1,939
Interest (Note 4)	**4,622**	**1,690**	2,841
Total Expenses	**2,861,792**	**2,748,552**	2,544,286
Excess (Deficiency) of Revenues Over Expenses	**(48,051)**	**210,683**	(118,977)
ACCUMULATED DEFICIT, BEGINNING OF YEAR	**(1,731,413)**	**(1,731,413)**	(1,612,436)
ACCUMULATED DEFICIT, END OF YEAR	**$ (1,779,464)**	**$ (1,520,730)**	$ (1,731,413)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31

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

	2011	2010
OPERATING		
Excess (deficiency) of revenues over expenses	**$ 210,683**	$ (118,977)
Non-cash charges to operations		
Amortization	**22,198**	24,724
Retirement allowance and compensated absences	**(39,000)**	12,000
	193,881	(82,253)
Net change in non-cash working capital balances related to operations	**525,191**	54,579
Cash provided by (used in) operating activities	**719,072**	(27,674)
CAPITAL		
Acquisition of tangible capital assets	**(22,559)**	-
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(690,694)**	37,233
Increase in cash	**5,819**	9,559
CASH, BEGINNING OF YEAR	**17,906**	8,347
CASH, END OF YEAR	**$ 23,725**	$ 17,906

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

For the years ended December 31

	Budget 2011 (unaudited)	Actual 2011	Actual 2010
Excess (Deficiency) of Revenues Over Expenses	**$ (48,051)**	**$ 210,683**	$ (118,977)
Amortization of tangible capital assets	**24,234**	**22,198**	24,724
Change in inventories and prepaid expenses	**(24,234)**	**(36,868)**	5,221
Acquisition of tangible capital assets	**-**	**(22,559)**	-
INCREASE (DECREASE) IN NET FINANCIAL LIABILITIES	**(48,051)**	**173,454**	(89,032)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(1,731,413)**	**(1,815,181)**	(1,726,149)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (1,779,464)**	**$ (1,641,727)**	$ (1,815,181)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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 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 Accountant. The significant accounting policies are summarized as follows:

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue in the period of which it is earned provided it is measurable and collection is reasonably certain. 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.

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 (deficiency) of revenues over expenses, provides the change in net financial liabilities for the year.

i) Tangible capital assets

Tangible capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

Computer equipment	25%
Furniture and other equipment	20%
Communication radios	20%

ii) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value.

2. *Significant Accounting Policies (continued)*

Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits 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.

Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ from actual results.

3. *Accounts Receivable*

	2011	2010
Trade accounts receivable	**$ 42,992**	$ 39,013
Allowance for doubtful accounts	**(2,535)**	(6,981)
	40,457	32,032
Province of Manitoba	**25,318**	23,499
	$ 65,775	$ 55,531

4. *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. 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, 2011 interest rate was 1.05% (2010 - 1.05%). The 2011 budget approved by City Council includes an operating line of credit of $1,100,00.

During the year, the Agency paid $1,690 (2010 - $2,841) in interest costs.

5. *Employee Benefits*

a) Retirement allowance and compensated absences

	2011	2010
Retirement allowance - accrued benefit liability	**$ 37,000**	$ 84,000
Compensated absences	**28,000**	20,000
	$ 65,000	$ 104,000

5. *Employee Benefits (continued)*

Qualifying City of Winnipeg employees are entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). These 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 experienced gains and losses are amortized on a straight-line basis over 13.3 years. This 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 liability as at December 31 of each year. An actuarial valuation report of the liability was prepared effective December 31, 2011.

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

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

	2011		2010	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	**$ 97,000**	**$ 19,000**	$ 84,000	$ 19,000
Current service cost	**6,000**	**37,000**	5,000	(1,000)
Interest cost	**3,000**	**1,000**	4,000	1,000
Benefit payments	**(61,000)**	**(30,000)**	-	-
Net actuarial loss/(gain)	**39,000**	**(2,000)**	4,000	-
Balance, end of year	**84,000**	**25,000**	97,000	19,000
Unamortized net actuarial loss/(gain)	**(47,000)**	**3,000**	(13,000)	1,000
Accrued benefit liability	**$ 37,000**	**$ 28,000**	$ 84,000	$ 20,000
Benefit expenses:				
Current service cost	**$ 6,000**	**$ 37,000**	$ 5,000	$ (1,000)
Interest cost	**3,000**	**1,000**	4,000	1,000
Amortization of net actuarial loss/(gain)	**5,000**	**-**	4,000	(1,000)
	$ 14,000	**$ 38,000**	$ 13,000	$ (1,000)
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 84,000**	**$ 20,000**	$ 71,000	$ 21,000
Benefit expense	**14,000**	**38,000**	13,000	(1,000)
Benefit payments	**(61,000)**	**(30,000)**	-	-
Balance, end of year	**$ 37,000**	**$ 28,000**	$ 84,000	$ 20,000

5. *Employee Benefits (continued)*

The significant actuarial assumptions adopted in measuring the accrued benefit liability for the year ended December 31 are as follows:

	2011	2010
Valuation interest rate	**3.60%**	3.90%
General increases in pay	**3.50%**	3.00%
Expected average remaining service life	**13.3 years**	10.7 years

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, $80,447 (2010 - $84,800) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employee's Benefits Program was made as of December 31, 2010 and it has an actuarial surplus.

6. *Tangible Capital Assets*

	Net Book Value	
	2011	2010
Computer equipment	**$ 23,138**	$ 39,098
Furniture and other equipment	**21,303**	875
Communication radios	**4,107**	8,214
	$ 48,548	$ 48,187

For additional information, see Schedule 1 - tangible capital assets.

7. *Commitments*

The Agency and the Winnipeg Humane Society entered into a contract that is in force from January 1, 2011 to December 31, 2013. 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 $425,000 per year, payable in quarterly installments of $106,250. In addition, the Agency agreed to pay $20 for every spay/neuter that the Winnipeg Humane Society performs up to an annual maximum of $75,000.

8. *Transfer from The City of Winnipeg*

This year, the transfer from The City of Winnipeg increased by 16% or $180,000 to $1,334,276. The increase is comprised of $150,000 to fund a new service contract signed with the Winnipeg Humane Society and a one time grant of $30,000 for the Winnipeg Humane Society's See Spot Read Program. This follows an increase in 2010 of 1.43%, to partially fund an increase in the Winnipeg Humane Society service contract in 2009. In addition, the Agency received 2011 funding from The City of Winnipeg - General Revenue Fund for the Aboriginal Youth Strategy in the amount of $54,770.

The transfers from the City of Winnipeg over the past five years are as follows:

2007	$ 1,018,850
2008	1,004,276
2009	1,104,276
2010	1,154,276
2011	1,334,276

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 Municipal Accommodations Fund for rent of $211,437 (2010 - $210,822) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $80,396 (2010 - $80,396). Also included are lease costs of $76,472 (2010 - $72,947) to The City of Winnipeg Fleet Management - Special Operating Agency and $69,582 (2010 - $69,582) for general government charges that have 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.

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31

	Computer Equipment	Furniture and Other Equipment
Cost		
Balance, Beginning of year	$ 141,377	$ 76,270
Add:		
Additions during the year	-	22,559
Less:		
Disposals during the year	-	-
Balance, end of year	141,377	98,829
Accumulated amortization		
Balance, Beginning of year	102,279	75,395
Add:		
Amortization	15,960	2,131
Less:		
Accumulated amortization on disposals	-	-
Balance, end of year	118,239	77,526
Net Book Value of Tangible Capital Assets	$ 23,138	$ 21,303

Schedule 1

Communication Radio	2011 Total	2010 Total
$ 37,503	**$ 255,150**	$ 255,150
-	**22,559**	-
-	**-**	-
37,503	**277,709**	255,150
29,289	**206,963**	182,238
4,107	**22,198**	24,725
-	**-**	-
33,396	**229,161**	206,963
$ 4,107	**$ 48,548**	$ 48,187

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2011	2010
FINANCIAL ASSETS		
Cash	**$ -**	$ 1
Accounts receivable	**294**	317
Inventories	**61**	52
	355	370
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**5,700**	4,874
Accounts payable and accrued liabilities	**117**	90
Deferred revenue	**52**	65
Debt (Note 4)	**4,030**	4,116
Other liabilities (Notes 5)	**10**	202
Accrued employee benefits (Note 6a)	**149**	148
	10,058	9,495
NET FINANCIAL LIABILITIES	**(9,703)**	(9,125)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**23,168**	23,432
Prepaid expenses	**5**	-
	23,173	23,432
ACCUMULATED SURPLUS	**$ 13,470**	$ 14,307

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
REVENUES			
Green fees	**$ 1,906**	**$ 1,517**	$ 1,635
Equipment rentals	**260**	**279**	259
Net revenue from leasing operations	**139**	**264**	233
Merchandise sales	**83**	**66**	79
Concessions	**46**	**55**	53
Gain on disposal of tangible capital assets	**-**	**30**	5
Other	**22**	**217**	196
Total Revenues	**2,456**	**2,428**	2,460
EXPENSES			
Salaries and employee benefits (Note 6)	**1,405**	**1,354**	1,513
Services (Note 8)	**637**	**662**	716
Material, parts and supplies	**325**	**234**	280
Municipal tax equivalency charge (Note 9)	**301**	**303**	310
Amortization	**343**	**301**	296
Debt, finance charges and interest (Notes 3 and 4)	**322**	**313**	280
Rent (Note 8b)	**17**	**17**	17
Provision for doubtful accounts	**-**	**-**	6
Total Expenses	**3,350**	**3,184**	3,418
Deficiency of Revenues Over Expenses	**(894)**	**(756)**	(958)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**14,271**	**14,307**	15,344
Transfer to The City of Winnipeg - General Revenue Fund	**(79)**	**(81)**	(79)
ACCUMULATED SURPLUS, END OF YEAR	**$ 13,298**	**$ 13,470**	$ 14,307

See accompanying notes and schedule 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:

	2011	2010
OPERATING		
Deficiency of revenues over expenses	**$ (756)**	$ (958)
Non-cash charges to operations		
Amortization	**301**	296
Gain on disposal of tangible capital assets	**(30)**	(5)
Retirement allowance and compensated absences	**(10)**	5
Environmental liability	**(192)**	(20)
	(687)	(682)
Net change in non-cash working capital balances related to operations	**34**	(60)
Cash used in operating activities	**(653)**	(742)
CAPITAL		
Acquisition of tangible capital assets	**(56)**	(324)
Proceeds on disposal of tangible capital assets	**49**	5
Cash used in capital activities	**(7)**	(319)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**826**	1,027
Debt - The City of Winnipeg	**(86)**	114
Transfer to The City of Winnipeg - General Revenue Fund	**(81)**	(79)
Cash provided by financing activities	**659**	1,062
(DECREASE) INCREASE IN CASH	**(1)**	1
CASH, BEGINNING OF YEAR	**1**	-
CASH, END OF YEAR	**$ -**	$ 1

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Budget 2011 (Unaudited)	**Actual 2011**	Actual 2010
DEFICIENCY OF REVENUES OVER EXPENSES	**$ (894)**	**$ (756)**	$ (958)
Amortization of tangible capital assets	**343**	**301**	296
Proceeds on disposal of tangible capital assets	**-**	**49**	5
Gain on disposal of tangible capital assets	**-**	**(30)**	(5)
Change in prepaid expenses	**-**	**(5)**	5
Transfer to the City of Winnipeg - General Revenue Fund	**(79)**	**(81)**	(79)
Acquisition of tangible capital assets	**(245)**	**(56)**	(324)
INCREASE IN NET FINANCIAL LIABILITIES	**(875)**	**(578)**	(1,060)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(8,130)**	**(9,125)**	(8,065)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (9,005)**	**$ (9,703)**	$ (9,125)

See accompanying notes and schedule to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise noted)

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 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 accounting

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) Deferred revenue

Sales of prepaid passes that have not been redeemed are deferred and recognized as revenue in the year in which the rounds are played.

c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

d) 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 deficiency of revenues over expenses, provides the change in financial liabilities for the year.

2. *Significant Accounting Policies (continued)*

e) Tangible capital assets

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by The City of Winnipeg Assessment and Taxation 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

f) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value. The amount of inventory expensed during the year was $49 thousand (2010 - $77 thousand).

g) 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.

h) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits 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.

3. *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" 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 $6 million at a varying overnight rate that is a function of the Bank of Canada rate. As of December 31, 2011, the rate was 0.9% (2010 - 0.9%). The interest paid in 2011 was $52 thousand (2010 - $25 thousand). The Agency will be submitting a request to increase the limit of this line of credit to $6.5 million in 2012.

4. *Debt - The City of Winnipeg*

	2011	2010
Golf Course Reserve		
Golf course improvement loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	**$ 19**	$ 27
- 2005	**27**	35
- 2006	**54**	66
- 2007	**140**	164
- 2008	**204**	231
- 2009	**10**	11
- 2010	**231**	253
- 2011	**46**	50
- 2012	**235**	235
- 2013	**45**	-
	1,011	1,072
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of $208 thousand, including interest and principal	**3,019**	3,044
	$ 4,030	$ 4,116

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

2012	$ 158
2013	170
2014	170
2015	171
2016	165
Thereafter	3,196
	$ 4,030

b) Interest on the golf course improvement loans during the year was $66 thousand (2010 - $58 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was $182 thousand (2010 - $184 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was $248 thousand (2010 - $242 thousand).

5. *Other Liabilities*

	2011	2010
Environmental liability	**$ 10**	$ 202

6. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2011	2010
Retirement allowance - accrued benefit liability	**$ 96**	$ 93
Vacation	**52**	41
Compensated absences	**1**	14
	$ 149	$ 148

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 12.1 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 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, 2011.

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

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

	2011		2010	
	Retirement allowance	Compensated Absences	Retirement allowance	Compensated Absences
Accrued benefit liability:				
Balance, beginning of year	**$ 56**	**$ 13**	$ 46	$ 13
Current service cost	**6**	**36**	5	(1)
Interest cost	**2**	**-**	2	1
Benefit payments	**(3)**	**(49)**	-	-
Net actuarial gain	**40**	**39**	3	-
Balance, end of year	**101**	**39**	56	13
Unamortized net actuarial (loss)/gain	**(5)**	**(38)**	37	1
Accrued benefit liability end of year	**$ 96**	**$ 1**	$ 93	$ 14
Benefit expense:				
Current service cost	**$ 6**	**$ 36**	$ 5	$ (1)
Interest cost	**2**	**-**	2	1
Amortization of net actuarial gain	**(2)**	**-**	(2)	-
	$ 6	**$ 36**	$ 5	$ -
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 93**	**$ 14**	$ 88	$ 14
Benefit expense	**6**	**36**	5	-
Benefit payments	**(3)**	**(49)**	-	-
	$ 96	**$ 1**	$ 93	$ 14

6. *Accrued Employee Benefits (continued)*

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

	2011	2010
Valuation interest rate	**3.60%**	3.90%
General increases in pay	**3.50%**	3.00%

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

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, $72 thousand (2010 - $78 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, 2010 and it has an actuarial surplus.

7. *Tangible Capital Assets*

	Net Book Value	
	2011	2010
Land	**$ 20,376**	$ 20,376
Building	**1,529**	1,630
Equipment	**439**	605
Golf course improvements	**824**	821
	$ 23,168	$ 23,432

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

8. *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) In Services, an amount of $15 thousand (2010 - $15 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 (2010 - $17 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space;

c) An amount of $52 thousand (2010 - $51 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 $149 thousand (2010 - $143 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various golf courses;

8. Related Party Transactions (continued)

e) An amount of $25 thousand (2010 - $16 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; and

f) An amount of $12 thousand (2010 - $12 thousand) has been charged by The City of Winnipeg Water and Waste Department for landfill tipping fees.

9. Municipal Tax Equivalency Charge

Municipal realty tax equivalency charges are applicable to the five facilities owned and previously operated by The City of Winnipeg - Windsor, Kildonan, Crescent Drive, Harbour View and John Blumberg. These charges are based on estimated assessments and 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 $26 thousand (2010 - $26 thousand).

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Building	Equipment
Cost			
Balance, beginning of year	$ 20,376	$ 2,544	$ 1,535
Add:			
Additions during the year	-	-	2
Less:			
Disposals during the year	-	-	(22)
Balance, end of year	20,376	2,544	1,515
Accumulated amortization			
Balance, beginning of year	-	914	930
Add:			
Amortization	-	101	149
Less:			
Accumulated amortization on disposals	-	-	(3)
Balance, end of year	-	1,015	1,076
Net Book Value of Tangible Capital Assets	$ 20,376	$ 1,529	$ 439

Schedule 1

Golf Course Improvements	Total 2011	Total 2010
$ 984	$ 25,439	$ 25,115
54	56	324
-	(22)	-
1,038	25,473	25,439
163	2,007	1,711
51	301	296
-	(3)	-
214	2,305	2,007
$ 824	$ 23,168	$ 23,432


THE FORKS MARKET

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2011	2010
FINANCIAL ASSETS		
Accounts receivable	**$ 121**	$ 198
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**7,621**	8,792
Accounts payable and accrued liabilities	**1,067**	1,169
Debt (Note 4)	**48,830**	47,496
Other liabilities (Note 5)	**83**	522
Accrued employee benefits (Note 6a)	**1,359**	1,315
	58,960	59,294
NET FINANCIAL LIABILITIES	**(58,839)**	(59,096)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**77,056**	73,968
Inventories	**1,841**	1,799
Prepaid expenses	**636**	656
	79,533	76,423
ACCUMULATED SURPLUS	**$ 20,694**	$ 17,327

Commitments (Note 8)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
REVENUES			
Fleet leases	$ 26,015	$ 24,153	$ 23,435
Fuel sales	6,403	8,734	6,964
Services and parts revenue (Schedule 1)	7,647	7,664	7,281
Rental income	2,884	2,539	2,746
Gain on sale of tangible capital assets	100	532	145
Total Revenues	43,049	43,622	40,571
EXPENSES			
Amortization	12,174	12,239	10,943
Supplies	8,780	10,516	9,344
Salaries and employee benefits	8,258	8,201	8,074
Services	9,171	6,976	7,761
Interest (Notes 3 and 4)	2,502	2,087	2,137
Other	961	236	689
Total Expenses	41,846	40,255	38,948
Excess Revenues Over Expenses	$ 1,203	3,367	1,623
ACCUMULATED SURPLUS, BEGINNING OF YEAR		17,327	15,704
ACCUMULATED SURPLUS, END OF YEAR		$ 20,694	$ 17,327

See accompanying notes and schedules 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)

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess Revenues Over Expenses	**$ 3,367**	$ 1,623
Non-cash charges to operations		
Amortization	**12,239**	10,943
Gain on sale of tangible capital assets	**(532)**	(145)
Retirement allowance and compensated absences	**58**	33
Write down of environmental liability	**(390)**	-
Accretion expense	**4**	8
	14,746	12,462
Net change in non-cash working capital related to operations	**(114)**	(1,146)
Cash provided by operating activities	**14,632**	11,316
CAPITAL		
Acquisition of tangible capital assets	**(15,670)**	(15,742)
Proceeds on disposal of tangible capital assets	**875**	941
Cash used in capital activities	**(14,795)**	(14,801)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(1,171)**	10,616
Proceeds from term loans	**10,000**	-
Repayment of term loans	**(8,666)**	(7,108)
Repayment of debt - The City of Winnipeg	**-**	(23)
Cash provided by financing activities	**163**	3,485
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Budget 2011 (Unaudited)	**Actual 2011**	Actual 2010
EXCESS REVENUES OVER EXPENSES	**$ 1,203**	**$ 3,367**	$ 1,623
Amortization of tangible capital assets	**12,174**	**12,239**	10,943
Proceeds on disposal of tangible capital assets	**100**	**875**	941
Gain on sale of tangible capital assets	**(100)**	**(532)**	(145)
Change in inventories and prepaid expenses	**(258)**	**(22)**	124
Acquisition of tangible capital assets	**(15,309)**	**(15,670)**	(15,742)
INCREASE (DECREASE) IN NET FINANCIAL LIABILITIES	**(2,190)**	**257**	(2,256)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(65,528)**	**(59,096)**	(56,840)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (67,718)**	**$ (58,839)**	$ (59,096)

See accompanying notes and schedules to the financial statements

1. Status of the Winnipeg Fleet Management Agency

On May 28, 2003, City Council adopted the Winnipeg 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 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 pubic organizations, in support of their service delivery.

2. Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) Basis of 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.

b) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial liabilities for the year.

i) Tangible capital assets

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

Tangible 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	4% to 8%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	1 to 15 years	Straight-line
Equipment	3% to 30%	Straight-line

Amortization begins once an asset is placed into service.

2. Significant Accounting Policies (continued)

ii) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value.

c) 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.

d) 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 are 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.

e) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits 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.

f) Estimates

The preparation of financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

3. 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" 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, 2011 effective interest rate was 0.9% (2010 - 0.9%). As well, the Agency has negotiated an operating line of credit up to $300 thousand and a line of credit for short-term financing from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisitions.

Interest paid to The City of Winnipeg - General Revenue Fund was $71 thousand (2010 - $31 thousand).

4. *Debt*

Lender	Maturity Date	Interest Rate	2011	2010
Royal Bank of Canada (Note 4b)	2012 - 2019	4.53% - 5.20%	**$ 17,476**	$ 20,803
The Toronto-Dominion Bank (Note 4b)	2012 - 2019	2.61% - 4.14%	**31,002**	26,341
			48,478	47,144
The City of Winnipeg - non-interest bearing, no repayment schedule (Note 9e)			**352**	352
			$ 48,830	$ 47,496

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

2012	$ 9,783
2013	8,724
2014	8,065
2015	7,169
2016	5,481
Thereafter	9,608
	$ 48,830

b) The Agency has credit facilities by way of series of unsecured term loans. The term loans bear a fixed rate of interest quoted by the bank at the time of each borrowing. As at December 31, 2011, $48,478 thousand (2010 - $47,144 thousand) was outstanding under these facilities. The effective interest rate at December 31, 2011 was 4.2% (2010 - 3.3%).

c) Cash paid for interest during the year is $2,081 thousand (2010 - $2,152 thousand).

5. *Other Liabilities*

	2011	2010
Environmental liability	**$ 30**	$ 420
Other liabilities	**53**	102
	$ 83	$ 522

The Agency has estimated an environmental liability for its property containing one underground waste oil storage tank. During the year, the Agency decommissioned its fuel site containing six underground oil petroleum storage tanks. The environmental liability associated with the decommissioned fuel site property is $nil and an amount of $390 thousand realized from the reduction of the liability was recognized during the year.

Other liabilities have been recognized for the decommissioning of the Agency's petroleum storage tank systems. The Agency estimated the amount to settle the other liabilities which will be incurred prior to June 20, 2012 for decommissioning two petroleum tank systems. The estimates are based on a third-party engineering firm valuation. Funds have not been set aside to settle the other liabilities.

6. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	2011	2010
Retirement allowance - accrued liability	**$ 670**	$ 625
Vacation	**578**	592
Compensated absences	**111**	98
	$ 1,359	$ 1,315

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 11.6 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, 2011.

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

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

	2011		2010	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 668**	**$ 94**	$ 618	$ 89
Current service cost	**35**	**205**	32	-
Interest cost	**26**	**4**	27	4
Benefit payments	**(20)**	**(196)**	(32)	-
Amortization of net actuarial loss	**155**	**109**	23	1
Balance, end of year	**864**	**216**	668	94
Unamortized net actuarial (loss)/gain	**(194)**	**(105)**	(43)	4
Accrued benefit liability	**$ 670**	**$ 111**	$ 625	$ 98
Benefit expense consists of the following:				
Current service cost	**$ 35**	**$ 205**	$ 32	$ -
Interest cost	**26**	**4**	27	4
Amortization of net actuarial loss	**4**	**-**	2	-
	$ 65	**$ 209**	$ 61	$ 4
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 625**	**$ 98**	$ 596	$ 94
Benefits expense	**65**	**209**	61	4
Benefits payments	**(20)**	**(196)**	(32)	-
Balance, end of year	**$ 670**	**$ 111**	$ 625	$ 98

6. *Accrued Employee Benefits (continued)*

The significant actuarial assumptions adopted in measuring the retirement allowance and compensated absences obligations for the year ended December 31 are as follows:

	2011	2010
Valuation interest rate	**3.6%**	3.9%
General increases in pay	**3.5%**	3.0%

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.

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, $558 thousand (2010 - $560 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, 2010 and it has an actuarial surplus.

7. *Tangible Capital Assets*

	Net Book Value	
	2011	2010
Land	**$ 390**	$ 390
Buildings	**2,708**	2,727
Fleet assets	**70,360**	67,936
Equipment	**3,598**	2,915
	$ 77,056	$ 73,968

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

The net book value of fleet assets not yet in service is $4,163 thousand (2010 - $3,593 thousand), and equipment not yet in service is $19 thousand (2010 - $9 thousand).

Fleet assets written off during the year is $nil (2010 - $129 thousand). Interest capitalized during 2011 is $nil (2010 - $nil).

8. *Commitments*

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

	Operating Leases
2012	$ 191
2013	191
2014	191
	$ 573

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 related party transactions that occurred are as follows:

a) Revenues include sales of goods and services of $40,970 thousand (2010 - $38,716 thousand) to The City of Winnipeg.

b) An amount of $804 thousand (2010 - $811 thousand) has been transferred to the General Revenue Fund for operator training and miscellaneous services.

c) An amount of $274 thousand (2010 - $190 thousand) has been transferred to the Municipal Accommodations Fund for the rental of office and garage space, and miscellaneous services.

d) An amount of $4 thousand (2010 - $nil) has been transferred to the Parking Services Agency for miscellaneous services.

e) Transfer to the General Revenue Fund for repayment of The City of Winnipeg debt is $nil (2010 - $23 thousand).

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)

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
Consumables and corrective maintenance	**$ 4,134**	**$ 3,564**	$ 3,705
Insurance revenue	**1,552**	**1,755**	1,693
Other	**221**	**789**	303
Power tools	**727**	**727**	670
Autopac rebate	**423**	**381**	435
Manufacturing sales	**442**	**300**	325
Provincial support grant	**148**	**148**	150
	$ 7,647	**$ 7,664**	$ 7,281

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Building	Fleet Assets
Cost			
Balance, beginning of year	**$ 390**	**$ 3,561**	**$ 109,181**
Add:			
Additions during the year	**-**	**142**	**14,422**
Less:			
Disposals during the year	**-**	**-**	**(2,691)**
Balance, end of year	**390**	**3,703**	**120,912**
Accumulated amortization			
Balance, beginning of year	**-**	**834**	**41,245**
Add:			
Amortization	**-**	**161**	**11,674**
Less:			
Accumulated amortization on disposals	**-**	**-**	**(2,367)**
Balance, end of year	**-**	**995**	**50,552**
Net Book Value of Tangible Capital Assets	**$ 390**	**$ 2,708**	**$ 70,360**

Schedule 2

Equipment	**Total 2011**	Total 2010
$ 5,122	**$ 118,254**	$ 106,772
1,106	**15,670**	15,742
(61)	**(2,752)**	(4,260)
6,167	**131,172**	118,254
2,207	**44,286**	36,807
404	**12,239**	10,943
(42)	**(2,409)**	(3,464)
2,569	**54,116**	44,286
$ 3,598	**$ 77,056**	$ 73,968

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2011	2010
FINANCIAL ASSETS		
Cash	**$ 87**	$ 96
Accounts receivable	**4,278**	3,115
Due from The City of Winnipeg - Land Operating Reserve (Note 3)	**10,000**	23,516
	14,365	26,727
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 4)	**1,653**	8,037
Accounts payable and accrued liabilities	**912**	1,056
Deferred revenue	**236**	242
Debt (Note 5)	**6,736**	16,693
Accrued employee benefits (Note 6)	**251**	227
	9,788	26,255
NET FINANCIAL ASSETS	**4,577**	472
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**9,896**	10,671
Inventories	**111**	457
Prepaid expenses	**10**	24
	10,017	11,152
ACCUMULATED SURPLUS (Note 8)	**$ 14,594**	$ 11,624

Commitments (Note 9)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2011 (Unaudited)	**Actual 2011**	Actual 2010
REVENUES			
Enforcement (Note 10)	**$ 7,334**	**$ 7,929**	$ 6,536
Parking fees (Note 11a)			
Winnipeg Square parkade	**-**	**-**	1,060
Millennium Library parkade	**1,443**	**1,037**	911
Civic Centre parkade	**875**	**867**	917
Surface parking lots	**1,139**	**1,357**	1,314
Meters	**5,393**	**5,119**	4,666
Parking permits	**99**	**94**	75
Ground lease	**-**	**-**	109
Gain on disposal of tangible capital assets	**-**	**-**	15,839
Sundry	**2**	**5**	-
Total Revenues	**16,285**	**16,408**	31,427
EXPENSES			
Services (Notes 11c, f, and h)			
Enforcement - contracts	**3,081**	**2,727**	3,255
Parkade management	**241**	**608**	576
Meters	**478**	**597**	915
Utilities	**976**	**928**	1,384
Other services	**1,725**	**1,674**	2,168
Salaries and employee benefits (Note 6)	**1,901**	**1,641**	1,277
Material, parts and supplies (Note 11e)	**1,758**	**1,913**	1,703
Amortization	**1,647**	**1,355**	1,355
Recoveries	**-**	**(27)**	-
Provision for bad debts	**718**	**768**	640
Debt and finance charges (Notes 4 and 5b)	**322**	**333**	431
Other (Notes 11b, d, g, and j)	**895**	**879**	1,026
Total Expenses	**13,742**	**13,396**	14,730
Excess Revenues over Expenses	**2,543**	**3,012**	16,697
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR	**11,624**	**11,624**	(5,029)
Distribution to The City of Winnipeg (Note 11k)	**-**	**(42)**	(44)
ACCUMULATED SURPLUS - END OF YEAR	**$ 14,167**	**$ 14,594**	$ 11,624

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

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

	2011	2010
OPERATING		
Excess of revenues over expenses	**$ 3,012**	$ 16,697
Non-cash items related to operations		
Gain on disposal of tangible capital assets	**-**	(15,839)
Amortization	**1,355**	1,355
Retirement allowance and compensated absences	**27**	11
	4,394	2,224
Net change in non-cash working capital balances related to operations	**12,560**	(23,578)
Cash provided by (used in) operating activities	**16,954**	(21,354)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(6,384)**	223
Repayment of long-term debt	**(9,957)**	(2,036)
Transfer to The City of Winnipeg - General Revenue Fund	**(42)**	(44)
Cash used in financing activities	**(16,383)**	(1,857)
CAPITAL		
Proceeds on disposal of tangible capital assets	**-**	23,534
Purchase of tangible capital assets	**(580)**	(260)
Cash (used in) provided by capital activities	**(580)**	23,274
(DECREASE) INCREASE IN CASH	**(9)**	63
CASH, BEGINNING OF YEAR	**96**	33
CASH, END OF YEAR	**$ 87**	$ 96

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE OF NET FINANCIAL ASSETS

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

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
EXCESS REVENUES OVER EXPENSES	**$ 2,543**	**$ 3,012**	$ 16,697
Amortization of tangible capital assets	**1,647**	**1,355**	1,355
Proceeds on disposal of tangible capital assets	**-**	**-**	23,534
Gain on disposal of tangible capital assets	**-**	**-**	(15,839)
Change in inventories and prepaid expenses	**400**	**360**	**-**
Other	**10**	**-**	**-**
Transfer to The City of Winnipeg General Revenue Fund	**-**	**(42)**	(44)
Acquisition of tangible capital assets	**(1,441)**	**(580)**	(260)
INCREASE IN NET FINANCIAL ASSETS	**3,159**	**4,105**	25,443
***NET FINANCIAL ASSETS* (LIABILITIES), BEGINNING OF YEAR**	**457**	**472**	(24,971)
NET FINANCIAL ASSETS, END OF YEAR	**$ 3,616**	**$ 4,577**	$ 472

See accompanying notes and schedule to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise noted)

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 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 accounting

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) Deferred revenue

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 or services performed.

c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets (liabilities) for the year.

2. *Significant Accounting Policies (continued)*

i) Tangible capital assets

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. The amortization rates are as follows:

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

ii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iii) Inventories

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

d) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits 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.

e) Use of estimates

The preparation of financial statement in conformity with Canadian generally acceptable accounting principles requires management to make estimates. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

3. *Due from The City of Winnipeg - Land Operating Reserve*

In 2010, Winnipeg Square Parkade was sold and the proceeds of disposition were deposited to The City of Winnipeg - Land Operating Reserve. There is no specific repayment terms on the receivable.

4. *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" 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, 2011 effective interest rate was 0.95% (2010 - 0.95%).

Interest paid to The City of Winnipeg General Revenue Fund on the line of credit was $76 thousand for the year (2010 - $48 thousand).

5. *Debt*

	2011	2010
The City of Winnipeg - General Revenue Fund		
Start-up loan with no specific terms of repayment	**$ 3,918**	$ 12,218
Equipment financing		
Capital lease loans repayable in annual installments of $339 thousand including an imputed interest rate of 6.9% which matured March 2011	**-**	339
Capital lease loans repayable in annual installments of $181 thousand to $780 thousand, including an imputed interest rate of 4.5% with maturity dates between January 2013 and October 2013	**2,818**	4,136
	$ 6,736	$ 16,693

a) Principal repayments on the equipment financing loans due to maturity are as follows:

2012	$ 1,378
2013	1,440
	$ 2,818

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2010 - $nil)

6. *Accrued Employee Benefits*

a) Retirement allowance and compensated absences

	2011	2010
Retirement allowance - accrued benefit liability	**$ 104**	$ 89
Vacation	**119**	122
Compensated absences	**28**	16
	$ 251	$ 227

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 10.6 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.

6. Accrued Employee Benefits (continued)

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation report of the liability was prepared effective December 31, 2011.

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

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

	2011		2010	
	Retirement Allowance	**Compensated Absences**	Retirement Allowance	Compensated Absences
Accrued benefit liability:				
Balance, beginning of year	**$ 110**	**$ 15**	$ 98	$ 14
Current service cost	**8**	**47**	5	-
Interest cost	**4**	**1**	4	1
Benefit payments	**-**	**(36)**	-	-
Net actuarial (loss)/gain	**(19)**	**(15)**	3	-
Balance, end of year	**103**	**12**	110	15
Unamortized net actuarial gain/(loss)	**1**	**16**	(21)	1
Accrued benefit liability	**$ 104**	**$ 28**	$ 89	$ 16
Benefit expense:				
Current service cost	**$ 8**	**$ 47**	$ 5	$ -
Interest cost	**4**	**1**	4	1
Amortization of net actuarial gain/(loss)	**3**	**-**	1	-
	$ 15	**$ 48**	$ 10	$ 1
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 89**	**$ 16**	$ 79	$ 15
Benefit expense	**15**	**48**	10	1
Benefit payments	**-**	**(36)**	-	-
	$ 104	**$ 28**	$ 89	$ 16

The significant actuarial assumptions adopted in measuring the accrued benefit liability for the year ended December 31 are as follows:

	2011	2010
Valuation interest rate	**3.60%**	3.90%
General increases in pay	**3.50%**	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, $103 thousand (2010 - $84 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, 2010 and it has an actuarial surplus.

7. *Tangible Capital Assets*

	Net Book Value **2011**	Net Book Value 2010
Land	**$ 73**	$ 73
Parkades	**2,314**	2,374
Authority assets		
Leasehold improvements	**335**	370
Parking surfaces	**381**	404
	716	774
Equipment		
Vehicles	**117**	71
Meters and pay stations	**5,685**	6,635
Equipment	**662**	657
Computer equipment	**290**	33
Office furniture and equipment	**39**	54
	6,793	7,450
	$ 9,896	$ 10,671

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

8. *Accumulated Surplus*

	Budget 2011 (Unaudited)	**Actual 2011**	Actual 2010
Capital	**$ 15,185**	**$ 15,185**	$ 15,185
Contributed surplus	**172**	**172**	172
Operating	**(1,190)**	**(763)**	(3,733)
	$ 14,167	**$ 14,594**	$ 11,624

9. *Commitments*

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

	Operating Leases
2012	$ 247
2013	143
2014	86
2015	51
2016 and thereafter	66
	$ 593

10. *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 accounted for $273 thousand (2010 - $149 thousand) during 2011.

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 $491 thousand (2010 - $523 thousand) to the City.

b) An amount of $37 thousand (2010 - $36 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 $123 thousand (2010 - $123 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.

d) An amount of $279 thousand (2010 - $272 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of information technology, finance and human resources support services.

e) An amount of $117 thousand (2010 - $162 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various locations.

f) In Services, an amount of $48 thousand (2010 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

g) An amount of $433 thousand (2010 - $591 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.

h) In Services, an amount of $352 thousand (2010 - $386 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.

i) In accounts receivable, an amount of $61 thousand (2010 - $25 thousand) is included for parking charges owing from the City.

j) An amount of $130 thousand (2010 - $127 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost for 311 services.

k) An amount of $42 thousand (2010 - $44 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

12. *Comparative Figures*

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

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Parkades	Authority Assets	Equipment
Cost				
Balance, beginning of year	**$ 73**	**$ 2,681**	**$ 981**	**$ 11,278**
Add:				
Additions during the year	**-**	**2**	**-**	**578**
Less:				
Disposals during the year	**-**	**-**	**-**	**(547)**
Balance, end of year	**73**	**2,683**	**981**	**11,309**
Accumulated amortization				
Balance, beginning of year	**-**	**307**	**207**	**3,828**
Add:				
Amortization	**-**	**62**	**58**	**1,235**
Less:				
Accumulated amortization on disposals	**-**	**-**	**-**	**(547)**
Balance, end of year	**-**	**369**	**265**	**4,516**
Net Book Value of Tangible Capital Assets	**$ 73**	**$ 2,314**	**$ 716**	**$ 6,793**

Schedule 1

Total 2011	Total 2010
$ 15,013	$ 23,659
580	260
(547)	(8,906)
15,046	15,013
4,342	4,198
1,355	1,355
(547)	(1,211)
5,150	4,342
$ 9,896	$ 10,671

PHOTO: The Forks North Portage Partnership, courtesy Tourism Winnipeg

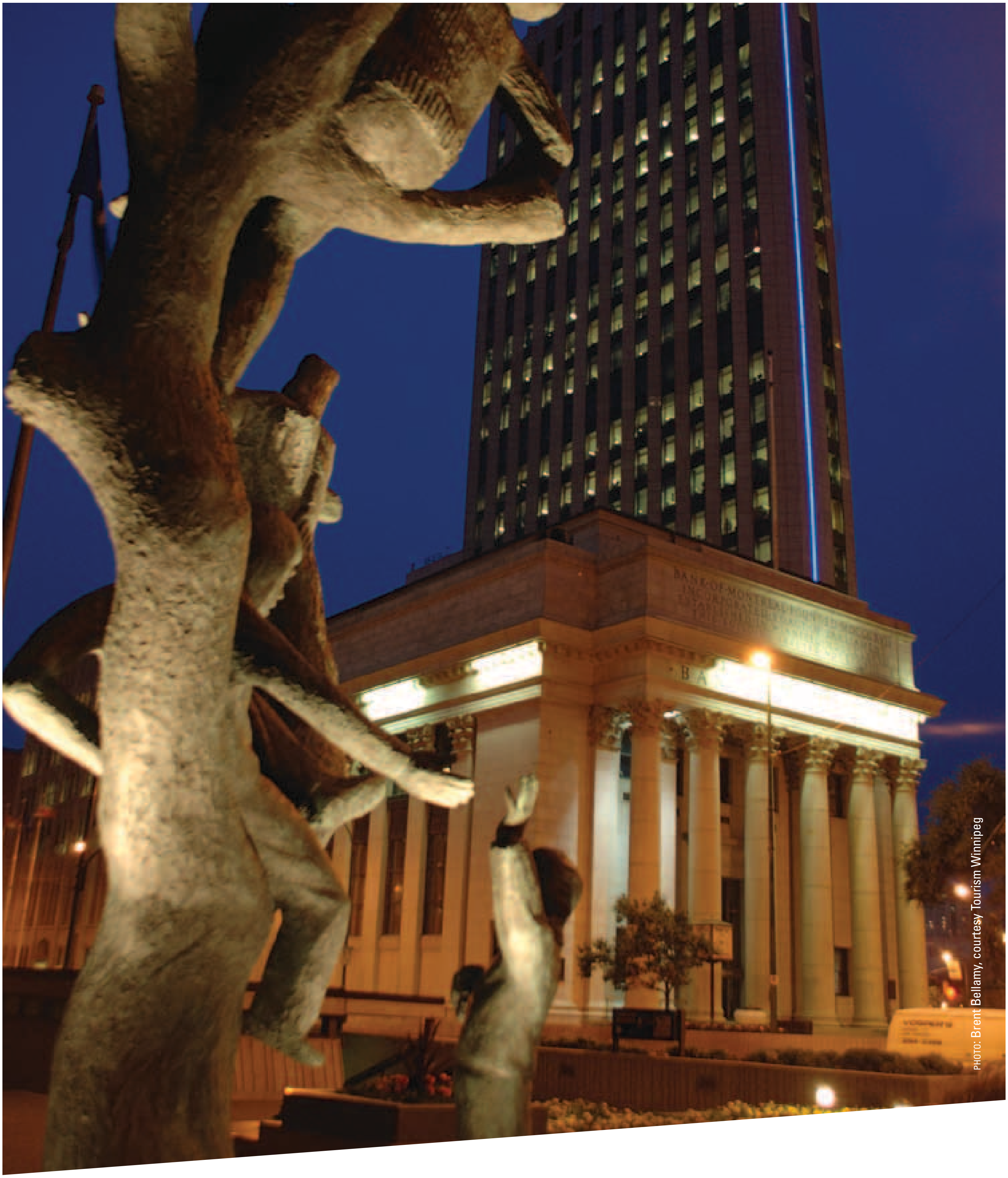


PHOTO: Brent Bellamy, courtesy Tourism Winnipeg

Wholly-Owned Corporations Detailed Financial Statements | 2011


Winnipeg
Convention
Centre

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2011

	2011	2010
ASSETS		
Current:		
Cash	**$ 1,531,720**	$ 2,309,640
Accounts receivable	**2,668,567**	1,331,576
Inventory	**183,078**	173,557
Prepaid expenses	**66,575**	72,302
	4,449,940	3,887,075
Capital assets (note 3)	**9,013,350**	7,716,340
Deferred expansion costs (note 4)	**314,033**	-
	$ 13,777,323	$ 11,603,415
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	**$ 2,688,686**	$ 2,492,055
Customer deposits and unearned revenue	**501,531**	444,130
Current portion of City of Winnipeg debentures (note 6)	**255,911**	243,663
Current portion of City of Winnipeg term loan (note 7)	**-**	36,129
	3,446,128	3,215,977
City of Winnipeg debentures (note 6)	**631,292**	887,184
Deferred contributions related to capital assets (note 8)	**990,249**	1,465,647
Deferred funding - wall cladding replacement and stabilization (note 9)	**3,607,000**	3,936,959
Deferred funding - roof replacement (note 10)	**2,805,717**	-
	11,480,386	9,505,767
FUND BALANCES		
Operating fund (note 11)	**836,247**	107,002
Restricted fund (note 12)	**737,509**	807,681
Invested in capital assets (note 13)	**723,181**	1,182,965
	2,296,937	2,097,648
	$ 13,777,323	$ 11,603,415

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FUND BALANCES

Year ended December 31, 2011

		2011		2010
BALANCE, beginning of year	**$**	**2,097,648**	$	2,176,848
Excess (deficiency) of revenue over expenditures		**199,289**		(79,200)
BALANCE, end of year	**$**	**2,296,937**	$	2,097,648

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2011

	2011	2010
Operating revenue	**$ 12,122,385**	$ 12,981,571
Operating costs	**5,900,700**	6,032,457
Net operating revenue	**6,221,685**	6,949,114
General operating grant (note 14):		
City of Winnipeg	**1,530,807**	1,302,630
Province of Manitoba	**1,406,000**	1,177,823
	2,936,807	2,480,453
	9,158,492	9,429,567
Expenditures:		
Accounting and financial services and human resources	**707,532**	751,941
Administration	**1,757,347**	1,525,473
Building maintenance	**3,670,708**	3,963,819
Client services	**1,033,502**	1,213,896
Sales and promotion	**812,108**	757,611
Security	**487,323**	503,396
	8,468,520	8,716,136
Net operating revenue less expenditures before unusual item and the under-noted	**689,972**	713,431
Feasibility studies	**-**	(156,579)
Excess of revenue over expenditures before the under-noted	**689,972**	556,852
City of Winnipeg debt servicing grants:		
Debentures (note 14)	**434,480**	434,451
Term loan (note 14)	**36,129**	44,348
Recognition of deferred contributions related to capital assets (notes 8, 9 and 10)	**862,617**	831,208
Amortization of capital assets (note 3)	**(1,636,138)**	(1,711,962)
Interest on City of Winnipeg debentures	**(187,771)**	(234,097)
Excess (deficiency) of revenue over expenditures for the year	**$ 199,289**	$ (79,200)

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	**$ 199,289**	$ (79,200)
Adjustments for:		
- amortization of capital assets	**1,636,138**	1,711,962
- recognition of deferred contributions related to capital assets	**(862,617)**	(831,208)
	972,810	801,554
Net changes in working capital balances		
Accounts receivable	**(1,336,991)**	(363,350)
Inventory	**(9,521)**	(12,987)
Prepaid expenses	**5,727**	(22,032)
Accounts payable and accrued liabilities	**196,631**	194,351
Customer deposits and unearned revenue	**57,401**	6,252
	(113,943)	603,788
FINANCING ACTIVITIES		
City of Winnipeg term loan repayments	**(36,129)**	(44,348)
City of Winnipeg debenture repayments	**(243,644)**	(238,000)
City of Winnipeg/Province of Manitoba major repair and replacement grant received	**-**	456,353
	(279,773)	174,005
INVESTING ACTIVITIES		
Deferred expansion costs	**(314,033)**	-
Major repair and replacement expenditures	**(2,933,148)**	(599,585)
Proceeds on disposition, net	**-**	5,586
Deferred funding received in year	**2,862,977**	-
	(384,204)	(593,999)
(DECREASE) INCREASE IN CASH DURING THE YEAR	**(777,920)**	183,794
CASH, beginning of year	**2,309,640**	2,125,846
CASH, end of year	**$ 1,531,720**	$ 2,309,640

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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:

Under the fund method of accounting the excess of revenue over expenditures is allocated to the Operating Fund. Any additions to the Operating Fund may be transferred to the Restricted Fund for future expenditures or major repairs and replacements by Board of Directors resolution. It is the policy of the corporation to retain sufficient amounts in the Operating Fund to fund future operations.

As assets are acquired a like amount is transferred from the Restricted Fund to the Invested in Capital Asset Fund. The Invested in Capital Asset Fund is reduced by the amortization of such assets and the amount amortized is transferred to the operating fund. The resulting balance represents the unamortized investment in major repairs and replacements net of amounts funded by grants.

Inventory:

Food and beverage 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
Roof replacement	-	on a straight line basis over 25 years

Vacation Pay and Sick Leave Entitlement:

Vacation pay and sick leave entitlements are accrued and expensed as the amounts are earned.

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.

2. Significant Accounting Policies (continued)

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 and City of Winnipeg debentures and term loan. 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.

Capital Disclosures:

In managing capital, the corporation focuses on liquid resources available to fund operations. The corporation's objective is to have sufficient liquid resources available to fund operations as well as capital expenditures. The need for liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at December 31, 2011, the corporation has met its objective of having sufficient liquid resources to meet its current obligations.

3. Capital Assets

		Accumulated	Net Carrying Value	
	Cost	**Amortization**	**2011**	2010
Major capital expenditures	**$ 2,000,000**	**$ 1,887,388**	**$ 112,612**	$ 161,626
Revitalization program:				
-City of Winnipeg portion	**3,000,000**	**2,225,408**	**774,592**	969,221
-Province of Manitoba portion	**2,000,000**	**1,476,497**	**523,503**	653,263
Major repair and replacement	**12,701,717**	**11,541,591**	**1,160,126**	1,995,271
Wall cladding replacement	**6,599,175**	**2,992,175**	**3,607,000**	3,936,959
Roof replacement under construction	**2,862,977**	**57,260**	**2,805,717**	-
Art holdings	**29,800**	**-**	**29,800**	-
	$ 29,193,669	**$ 20,180,319**	**$ 9,013,350**	$ 7,716,340

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.

3. Capital Assets (continued)

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.

- Province of Manitoba 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 carried 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.

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.

Roof Replacement:

This amount represents the expenditures for the replacement of the roof of the Winnipeg Convention Centre. Pursuant to a funding agreement dated August 4, 2011, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project up to $3,646,435.

The expenditures are carried at cost and are being amortized on a straight line basis over 25 years, with one-half of the annual amortization claimed in the year the construction was commenced. 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.

3. Capital Assets (continued)

Amortization Expenses:

The amortization of the capital assets is as follows:

	2011	2010
Major capital expenditures	**$ 49,027**	$ 52,517
Revitalization program:		
- City of Winnipeg portion	**194,637**	185,368
- Province of Manitoba portion	**129,738**	127,599
Major repair and replacement	**875,517**	1,016,519
Wall cladding replacement	**329,959**	329,959
Roof replacement	**57,260**	-
	$ 1,636,138	$ 1,711,962

4. Deferred Expansion Costs

The corporation has deferred costs incurred during the year related to the expansion of the existing facility. The deferred costs are expected to be capitalized at the time the expansion begins.

In addition to the deferred expansion costs, the cost of feasibility studies undertaken to consider the expansion have been expensed in prior years totaling $635,781.

5. Demand Operating Loan

The corporation has a demand operating loan credit facility from the Royal Bank of Canada of $250,000, which bears interest at the bank's prime rate and is secured by a general security agreement. The balance at December 31, 2011 and 2010 is nil.

6. City of Winnipeg Debentures

For major capital expenditures:	**Debenture**	**Sinking Fund**	**Net 2011**	Net 2010
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	**$ 56,710**	**$ -**	**$ 56,710**	$ 82,962
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**	**199,899**	**25,101**	41,387
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**	**73,830**	**26,170**	32,658
	381,710	**273,729**	**107,981**	157,007

6. *City of Winnipeg Debentures (continued)*

	Debenture	Sinking Fund	Net 2011	Net 2010
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**	**2,220,778**	**779,222**	973,840
	$ 3,381,710	**$ 2,494,507**	**887,203**	1,130,847
Current portion			**255,911**	243,663
			$ 631,292	$ 887,184

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

2012	$ 255,911
2013	$ 258,821
2014	$ 232,827
2015	$ 139,644

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*

	2011	2010
Term loan	**$ -**	$ 36,129
Less: current portion	**-**	(36,129)
	$ -	$ -

The loan was advanced in 1991 to fund the corporation's deficit. The term loan was non-interest bearing and repayable in 14 annual principal payments of $44,348 each, beginning August 17, 1997 and the remaining balance was due on August 17, 2011.

8. *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.

	2011	2010
Beginning balance	**$ 1,465,647**	$ 1,510,543
Deferred contributions for major repair and replacement expended on major repair and replacement assets during the year (note 14)	**-**	456,353
Deduct amounts recognized as revenue:		
- Major repair and replacement expenditures	**(341,773)**	(373,882)
- Provincial portion of revitalization program expenditures	**(133,625)**	(127,367)
	$ 990,249	$ 1,465,647

9. Deferred Funding - Wall Cladding Replacement and Stabilization

Deferred funding - wall cladding replacement and stabilization represent restricted contributions from the City of Winnipeg and the Province of Manitoba for the funding of the wall cladding replacement and stabilization project more fully disclosed in note 3. This amount is being amortized into income as the related asset is amortized.

		2011		2010
Beginning balance	**$**	**3,936,959**	$	4,266,918
Deduct amount amortized to revenue		**(329,959)**		(329,959)
	$	**3,607,000**	$	3,936,959

10. Deferred Funding - Roof Replacement

Deferred funding - roof replacement represents restricted contributions from the City of Winnipeg and the Province of Manitoba for the funding of the roof replacement project more fully disclosed in note 3. This amount is being amortized into income as the related asset is amortized.

		2011		2010
Beginning balance	$	**-**	$	-
Additions in the year		**2,862,977**		-
Deduct amount amortized to revenue		**(57,260)**		-
	$	**2,805,717**	$	-

11. Operating Fund

Transactions in the operating fund during the year are as follows:

		2011		2010
Opening balance	**$**	**107,002**	$	(456,435)
Excess (deficiency) of revenues over expenditures		**199,289**		(79,200)
Amortization of invested in capital assets		**529,956**		642,637
	$	**836,247**	$	107,002

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.

		2011		2010
Opening balance	**$**	**807,681**	$	950,913
Capital assets purchased in the year, net of externally restricted amounts (nil - 2011; $456,353 - 2010)		**(70,172)**		(143,232)
	$	**737,509**	$	807,681

13. Invested in Capital Assets

Invested in capital assets represents total capital assets less amounts amortized less specific deferred contributions.

	2011	2010
Opening balance	**$ 1,182,965**	$ 1,682,370
Capital assets purchased in the year, net of disposals	**2,933,149**	599,585
Deferred contributions related to capital assets	**-**	(456,353)
Deferred funding - roof replacements	**(2,862,977)**	-
	70,172	143,232
Amortization of invested in capital assets	**(529,956)**	(642,637)
	$ 723,181	$ 1,182,965

14. Grants

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

	2011	2010
City of Winnipeg	**$ 2,001,416**	$ 2,009,605
Province of Manitoba	**1,406,000**	1,406,000
	$ 3,407,416	$ 3,415,605

The grants are allocated as follows:		
General operating grant	**$ 2,936,807**	$ 2,480,453
Debt service		
- City of Winnipeg debenture	**434,480**	434,451
- City of Winnipeg term loan	**36,129**	44,348
Major repairs and replacement expenditures	**-**	456,353
	$ 3,407,416	$ 3,415,605

15. Comparison to Budgeted Results

	Actual 2011	Budget 2011 (Unaudited)	Variance
Operating revenue	**$ 12,122,385**	$ 11,384,371	$ 738,014
Operating costs	**5,900,700**	5,468,917	431,783
Net operating revenue	**6,221,685**	5,915,454	306,231
General Operating Grant	**2,936,807**	2,936,806	1
	9,158,492	8,852,260	306,232
Expenditures	**8,468,520**	8,852,260	(383,740)
Net operating revenue less expenditures	**$ 689,972**	$ -	$ 689,972

16. *Commitments*

The corporation has a service contract with Winnipeg Elevator (1978) Ltd. for the provision of elevator services. This contract expires in November 2013.

Future minimum payments to the expiry of the contract are as follows:

2012	$	32,772
2013	$	30,041

17. *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 Payments:

Total cash payments by the corporation for employee future benefits for fiscal year 2011 were $445,380 (2010 - $358,654).

18. *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.

ECONOMIC DEVELOPMENT WINNIPEG INC.

BALANCE SHEET

December 31, 2011, with comparative figures for 2010

	2011	2010
ASSETS		
Current assets:		
Cash	**$ 692,524**	$ 193,993
Investments (note 3)	**954,228**	825,894
Accounts receivable	**55,231**	33,148
Prepaid expenses	**91,844**	77,664
	1,793,827	1,130,699
Capital assets (note 4)	**121,268**	176,798
	$ 1,915,095	$ 1,307,497
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 70,572**	$ 68,119
Deferred rent	**22,761**	31,416
Deferred contributions:		
Future expenses (note 5)	**566,986**	71,932
Capital assets (note 6)	**57,930**	89,528
	624,916	161,460
Net assets:		
Invested in capital assets (note 7)	**63,338**	87,270
Unrestricted	**461,868**	503,795
	525,206	591,065
Internally restricted:		
Appropriated for Yes! Winnipeg initiative reserve (note 8)	**153,500**	-
Appropriated for contingency reserve (note 8)	**518,140**	455,437
	1,196,846	1,046,502
Commitments (note 9)		
	$ 1,915,095	$ 1,307,497

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
REVENUE:		
Funding:		
The City of Winnipeg	**$ 2,021,758**	$ 2,000,000
Province of Manitoba	**1,412,000**	1,277,000
Partnerships and investors contributions	**1,505,293**	307,893
Other	**-**	34,915
Interest	**18,087**	7,380
Amortization of deferred contributions - capital assets (note 6)	**31,598**	31,598
	4,988,736	3,658,786
EXPENDITURES:		
Initiatives and marketing	**1,560,806**	1,251,984
Personnel	**2,743,420**	1,867,389
Administrative	**295,452**	248,930
Occupancy and facilities	**238,714**	234,310
	4,838,392	3,602,613
Excess of revenue over expenditures before the undernoted	**150,344**	56,173
Homecoming 2010 initiative expenditures	**-**	105,074
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**$ 150,344**	$ (48,901)

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2011, with comparative figures for 2010

		Unrestricted		Internally restricted			
	Invested in Capital Assets	**Operating**	**Yes! Winnipeg Initiative**	**Contingency Reserve**	**Yes! Winnipeg Initiative Reserve**	**2011 Total**	2010 Total
Balances, beginning of year	**$ 87,270**	**$ 503,795**	**$ -**	**$ 455,437**	**$ -**	**$ 1,046,502**	$ 1,095,403
Excess (deficiency) of revenue over expenditures	**(41,651)**	**191,995**	**-**	**-**	**-**	**150,344**	(48,901)
Transfer of funds for internally restricted purposes (note 8)	**-**	**(216,203)**	**-**	**62,703**	**153,500**	**-**	-
Transfer to Yes! Winnipeg initiative	**-**	**(132,996)**	**132,996**	**-**	**-**	**-**	-
Transfer for acquisition of capital assets	**17,719**	**(17,719)**	**-**	**-**	**-**	**-**	-
Balances, end of year	**$ 63,338**	**$ 328,872**	**$ 132,996**	**$ 518,140**	**$ 153,500**	**$ 1,196,846**	$ 1,046,502

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
OPERATING ACTIVITIES:		
Excess (deficiency) of revenue over expenditures	**$ 150,344**	$ (48,901)
Adjustments for:		
Amortization of capital assets	**73,249**	74,127
Amortization of deferred contributions - capital assets	**(31,598)**	(31,598)
Amortization of deferred rent	**(8,655)**	(7,902)
Change in the following:		
Accounts receivable	**(22,083)**	47,912
Prepaid expenses	**(14,180)**	82,018
Accounts payable and accrued liabilities	**2,453**	(29,633)
Increase in deferred contributions - future expenses	**495,054**	37,875
	644,584	123,898
INVESTING ACTIVITIES:		
Acquisition of capital assets	**(17,719)**	(42,851)
Investments, net	**(128,334)**	(36,530)
	(146,053)	(79,381)
INCREASE IN CASH	**498,531**	44,517
CASH, beginning of year	**193,993**	149,476
CASH, end of year	**$ 692,524**	$ 193,993
SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest received	**$ 17,753**	$ 5,948

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2011

1. General:

Economic Development 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 organization.

A Memorandum of Understanding agreement was entered into in 2010 between the organization and the Winnipeg Chamber of Commerce for the transfer of net assets of Yes! Winnipeg. On January 1, 2011, Yes! Winnipeg became an initiative under the corporate structure of the organization.

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) Financial instruments:

Initially, all financial assets and liabilities must be recorded on the balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with changes in fair value recognized in excess of revenue over expenditures. Financial instruments classified as held-to-maturity, 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. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in net asset balances.

The organization has designated cash and investments as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other liabilities. The organization has neither held-to-maturity nor available-for-sale instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of revenue and expenditures as incurred.

2. Significant accounting policies (continued):

The organization has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, the organization has elected not to adopt these standards in its financial statements.

c) 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:

Asset	Rate
Computer hardware and software	2 - 3 years
Office furniture and fixtures	5 years
Leasehold improvements	over the term of the related lease

d) Deferred rent:

As part of the organization's operating premises lease, a period of free rent was incurred and is being amortized over the term of the related lease.

e) Investments:

Investments are classified as held-for-trading financial instruments and are carried at fair value. The change in the difference between the fair value and the cost of investments at the beginning and end of each year is reflected in excess of revenue over expenditures. 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.

f) 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.

g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Investments:

Investments consist of investments in money market instruments aggregating $278,100 (2010 - $367,828) and guaranteed investment certificates aggregating $676,128 (2010 - $458,066) to fund the contingency reserve (note 8) and other expenses.

4. *Capital assets:*

	2011 Cost	2011 Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Computer hardware and software	**$ 160,773**	**$ 136,338**	**$ 24,435**	$ 32,243
Office furniture and fixtures	**115,230**	**102,675**	**12,555**	18,216
Leasehold improvements	**349,092**	**264,814**	**84,278**	126,339
	$ 625,095	**$ 503,827**	**$ 121,268**	$ 176,798

5. *Deferred contributions - future expenses:*

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

	2011	2010
Balance, beginning of year	**$ 71,932**	$ 34,057
Amounts received during the year	**1,671,415**	130,059
	1,743,347	164,116
Less: amounts recognized into revenue in the year	**(1,176,361)**	(92,184)
Balance, end of year	**$ 566,986**	$ 71,932

Deferred contributions for future expenses are related to the following initiatives:

	2011	2010
Yes! Winnipeg:		
Province of Manitoba funding	**$ 135,000**	$ -
Investors contributions	**404,482**	-
Team Winnipeg	**16,483**	71,932
Winnipeg Tour Connection	**11,021**	-
Balance, end of year	**$ 566,986**	$ 71,932

6. *Deferred contributions - capital assets:*

Deferred contributions - capital assets represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of revenue and expenditures.

	2011	2010
Balance, beginning of year	**$ 89,528**	$ 121,126
Amount amortized to revenue	**(31,598)**	(31,598)
Balance, end of year	**$ 57,930**	$ 89,528

7. *Invested in capital assets:*

	2011	2010
Capital assets	**$ 121,268**	$ 176,798
Deferred contributions - capital assets	**(57,930)**	(89,528)
Invested in capital assets	**$ 63,338**	$ 87,270

8. *Internally restricted:*

(a) 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, 2011, $62,703 (2010 - $30,958) was added to the contingency reserve and deducted from unrestricted net assets, based on the calculation of the contingency reserve requirement as at December 31, 2011.

(b) Yes! Winnipeg initiative reserve:

The Yes! Winnipeg initiative reserve was established by the Board of Directors during the year to internally restrict net assets of the organization for funds to be available for contractual obligations in the event that operating funding for the initiative is terminated.

9. *Commitments:*

The organization is committed under leases for office premises and equipment for a total of $335,282. The minimum lease payments until maturity are as follows:

2012	$ 182,881
2013	152,401

10. *Segregated funds:*

The organization holds funds that are segregated for partners (including the organization) in separate accounts; a convention development fund and a special event marketing fund. These funds are held in interest-bearing accounts for the benefit of convention development and special event marketing activities, respectively. Payments to the special event marketing fund are based on recommendations approved by the City of Winnipeg's council on October 22, 2008.

The balances of these funds and the income and expenditures associated therewith are not included in these financial statements.

	2011	2010
Convention development fund:		
Balance, beginning of year	**$ 87,214**	$ 117,161
Funds used during the year	**-**	(29,947)
Balance, end of year, and amount of funds held	**$ 87,214**	$ 87,214

	2011	2010
Special event marketing fund:		
Balance, beginning of year	**$ 1,109,749**	$ 741,670
Funds received during the year	**588,601**	637,843
Funds used during the year	**(491,281)**	(275,014)
Interest earned	**6,713**	5,250
Balance, end of year, and amount of funds held	**$ 1,213,782**	$ 1,109,749

At December 31, 2011, funds of $467,838 have been committed from the special event marketing fund towards several tourism attraction activities over the next five years as follows:

2012	$ 107,687
2013	126,530
2014	137,565
2015	36,056
2016	60,000

11. *Financial instruments:*

Interest rate risk:

Interest rate risk is the risk to the organization's earnings that arises from fluctuations in the interest rates and the degree of volatility of those rates. The organization 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.

12. *Defined contribution plan:*

The employees of the organization are members of a voluntary group registered retirement savings plan administered by Investors Group and RBC Asset Management Inc.

Employer contributions made to the plan during the year amounted to $89,979 (2010 - $51,179).

PHOTO: The Forks North Portage Partnership, courtesy Tourism Winnipeg

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF FINANCIAL POSITION - WHRC

March 31, 2011

	2011	2010
ASSETS		
Current Assets		
Cash (Note 9)	**$ 903,527**	$ 1,555,469
Rents receivable	**18,440**	22,739
Grants receivable (Note 3)	**212,136**	51,970
Other receivables	**107,104**	81,125
GST receivable	**60,795**	30,843
Subsidy due from CMHC (Note 4)	**3,184**	3,184
Subsidy due from Manitoba Housing (Note 4)	**262,279**	253,886
Operating deficiency recoverable from Manitoba Housing (Note 5)	**31,933**	-
Prepaid expenses	**104,578**	104,722
Housing inventory (Notes 2(a) and 6)	**863,581**	83,472
	2,567,557	2,187,410
Restricted Cash and Deposits		
Replacement Reserve Fund (Notes 2(b) and 7)		
CMHC funded	**69,080**	103,419
Manitoba Housing funded	**3,457,334**	3,323,275
WHRC funded	**253,265**	228,964
	3,779,679	3,655,658
Capital Assets (Notes 2(c) and 8)	**28,283,821**	29,506,048
	$ 34,631,057	$ 35,349,116

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF FINANCIAL POSITION - WHRC (continued)

March 31, 2011

	2011	2010
LIABILITIES, RESERVES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 713,657**	$ 467,141
Accrued interest payable	**203,996**	212,098
Security deposits and prepaid rent	**229,819**	202,667
Operating excess payable to Manitoba Housing (Note 5)	**-**	50,678
Current portion of forgivable loans (Notes 2(d) and 10)	**166,986**	174,986
Current portion of long-term debt (Note 11)	**1,193,937**	1,100,667
	2,508,395	2,208,237
Deferred Revenue	**112,900**	-
Forgivable Loans (Notes 2(d) and 10)	**1,657,788**	1,824,774
Long-term Debt (Note 11)	**25,861,609**	27,058,863
Replacement Reserves		
Replacement Reserves - CMHC (Notes 2(b) and 7)	**69,080**	103,419
Replacement Reserves - Manitoba Housing (Notes 2(b) and 7)	**3,457,334**	3,323,275
Replacement Reserves - WHRC (Notes 2(b) and 7)	**253,265**	228,964
	3,779,679	3,655,658
WHRC Building and Acquisition Reserve (Note 12)	**992,648**	976,923
	34,913,019	35,724,455
UNRESTRICTED NET ASSETS	**(281,962)**	(375,339)
	$ 34,631,057	$ 35,349,116

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF CHANGES IN NET ASSETS - WHRC

Year ended March 31, 2011

	2011	2010
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES, CMHC PROPERTIES	**$ (3,006)**	$ 18,436
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES, MANITOBA HOUSING PROPERTIES	**(31,933)**	50,678
DEFICIENCY OF REVENUE OVER EXPENDITURES, WHRC RENTAL AND DEVELOPMENT	**(3,986)**	(5,361)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES, WHRC HEAD OFFICE	**100,369**	(1,176)
EXCESS OF REVENUE OVER EXPENDITURES	**61,444**	62,577
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	**(375,339)**	(387,238)
OPERATING (SURPLUS) DEFICIENCY (PAYABLE TO) RECOVERABLE FROM MANITOBA HOUSING (Note 5)	**31,933**	(50,678)
UNRESTRICTED NET ASSETS, END OF YEAR	**$ (281,962)**	$ (375,339)

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF OPERATIONS - WHRC

Year ended March 31, 2011

	2011	2010
REVENUE		
Rental revenue		
Residential	**$ 2,767,485**	$ 2,706,189
Commercial	**54,619**	66,959
Manitoba Housing subsidy (Note 4)	**3,824,755**	3,761,674
Property management fees	**418,949**	305,221
City of Winnipeg operating grant	**200,000**	200,000
Development fees	**121,495**	55,700
Parking and laundry	**73,888**	76,440
CMHC subsidy (Note 4)	**38,207**	38,207
Home Ownership Training Initiative grant	**27,220**	19,412
Other grants	**23,384**	150
Interest and other income	**22,635**	13,413
	7,572,637	7,243,365
EXPENDITURES		
Administration	**295,309**	295,528
Advertising	**-**	424
Allocation to Replacement Reserve (Note 7)	**304,532**	283,632
Amortization (Note 2(c))	**1,111,754**	1,011,574
Bad debts	**32,624**	29,587
Bank charges and other interest	**3,055**	2,303
Cable T.V.	**789**	767
Collection fees	**3,870**	1,237
Garbage removal	**10,706**	9,667
Heat	**240,566**	256,337
Home Ownership Training Initiative	**27,220**	19,412
Hydro	**328,654**	327,703
Insurance	**115,492**	114,560
Janitorial services	**266,136**	283,581
Lot development	**290**	560
Maintenance and repairs (Note 7)	**713,053**	659,096
Mortgage interest (Note 11)	**2,448,459**	2,547,371
Office operations	**83,383**	69,213
Office salaries and benefits	**551,856**	473,373
Other grants	**-**	141
Professional fees	**74,514**	42,170
Property taxes	**449,980**	329,461
Snow removal	**18,410**	10,503
Water	**430,541**	412,588
	7,511,193	7,180,788
EXCESS OF REVENUE OVER EXPENDITURES	**$ 61,444**	$ 62,577

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF CASH FLOW - WHRC

Year ended March 31, 2011

	2011	2010
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**$ 61,444**	$ 62,577
Add non cash items:		
Amortization	**1,111,754**	1,011,574
	1,173,198	1,074,151
Change in non-cash working capital:		
Rents receivable	**4,299**	(3,328)
Grants receivable	**(160,166)**	41,445
Other receivables	**(25,979)**	996
GST receivable	**(29,952)**	7,202
Subsidy due from Manitoba Housing	**(8,393)**	8,303
Advances to Winnipeg Partners In Housing Inc.	**-**	13,706
Prepaid expenses	**144**	(15,679)
Housing inventory	**(780,109)**	336,184
Accounts payable and accrued liabilities	**246,516**	(90,655)
Accrued interest payable	**(8,102)**	(9,133)
Security deposits and prepaid rent	**27,152**	(7,652)
Deferred revenue	**112,900**	(61,800)
	551,508	1,293,740
INVESTING ACTIVITIES		
Purchase of capital assets	**(57,790)**	(204,894)
Increase in Manitoba Housing replacement reserve	**134,059**	69,835
Decrease in CMHC replacement reserve	**(34,339)**	(4,501)
Increase in WHRC replacement reserve	**24,301**	18,221
Increase in WHRC building and acquisition reserve	**15,725**	657,009
	81,956	535,670
FINANCING ACTIVITIES		
Increase (decrease) in forgivable loans	**(6,724)**	(12,724)
Repayment of long-term debt	**(1,103,983)**	(1,005,749)
Advance of long-term debt	**-**	40,120
Manitoba Housing recoveries	**(50,678)**	55,102
	(1,161,385)	(923,251)
Increase (decrease) in cash	**(527,921)**	906,159
Cash, beginning of year	**5,211,127**	4,304,968
Cash, end of year (Note 13)	**$ 4,683,206**	$ 5,211,127

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011

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. 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.

2. *Significant Accounting Policies*

The financial statements of the corporation have been prepared solely for the information and use of CMHC and Manitoba Housing to comply with each of their operating agreements. The corporation follows certain accounting principles as determined by CMHC and Manitoba Housing 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.

Amortization is provided for as follows:

Computer equipment	-	straight-line over three years
Furniture and equipment	-	straight-line over five years
Rental properties	-	an amount equal to the principal reduction of the mortgage, in accordance with the requirements of the organization's funding bodies
General	-	a replacement reserve is maintained to provide for future asset replacement

2. *Significant Accounting Policies (continued)*

d) 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.

Rental, parking and laundry revenue and property management fees are recognized over the term of the lease.

3. *Grants Receivable*

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

	2011	2010
Infill Housing Project		
AHI Province	**$ 8,905**	$ 48,970
City of Winnipeg	**203,231**	3,000
	$ 212,136	$ 51,970

4. *Subsidy Due from CMHC and Manitoba Housing*

The CMHC properties are subsidized for mortgage interest on a monthly basis through the reduction of the interest rates from market to 2%, in order to provide housing to low income individuals. The Manitoba Housing properties are subsidized for mortgage interest and property taxes on a monthly basis.

5. *Operating Deficiency Recoverable from (Excess Payable To) Manitoba Housing*

Pursuant to the current operating agreement with Manitoba Housing, 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 Manitoba Housing properties, the shortfall is the responsibility of Manitoba Housing subject to Manitoba Housing approval of project costs.

	2011	2010
Operating deficiency recoverable from (excess payable to) Manitoba Housing	**$ 31,933**	$ (50,678)

6. Housing Inventory

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

	2011	2010
Spence		
419 Sherbrook Street	**$ 8,966**	$ 11,207
663 Furby Street	**8,965**	11,207
452 Langside Street	**8,965**	11,206
851 Furby Street	**144,333**	-
	171,229	33,620
North End		
541/545 William Avenue	**179,967**	43,429
186/188 Syndicate Street	**(28,580)**	708
166 Austin Street	**(29,380)**	655
376 Ross Avenue	**(14,717)**	607
428 Alfred Avenue	**(3,690)**	651
444 Alfred Avenue	**(121)**	651
452 Aberdeen Avenue	**(2,195)**	664
465 Alfred Avenue	**(4,956)**	595
479 Burrows Avenue	**(7,717)**	655
612 William Avenue	**143,271**	612
98 Lorne Avenue	**(8,127)**	625
138 Argyle Street	**686**	-
149 Selkirk Avenue	**1,656**	-
152 Pritchard Avenue	**14,147**	-
381 Manitoba Avenue	**65,788**	-
42 Ross Avenue	**18,227**	-
497 Magnus Avenue	**56,384**	-
499 Magnus Avenue	**58,011**	-
611 Magnus Avenue	**87,586**	-
643 Aberdeen Avenue	**75,751**	-
645 Aberdeen Avenue	**76,630**	-
662 Aberdeen Avenue	**13,731**	-
	692,352	49,852
	$ 863,581	$ 83,472

7. Replacement Reserve Fund

Under the terms of the agreements with CMHC/Manitoba Housing, the Replacement Reserve account is to be 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/Manitoba Housing from time to time. The funds in the account may only be used as approved by CMHC/Manitoba Housing. Withdrawals are credited to interest first and then principal.

7. *Replacement Reserve Fund (continued)*

		2011		2010
Allocation				
Annual charge	**$**	**283,632**	$	283,632
Flooring and painting - maintenance and repairs charge		**-**		49,369
	$	**283,632**	$	333,001
Year end balance				
Cash	**$**	**438,328**	$	26,105
Canadian Treasury Bills, Bonds and Guaranteed Investment Certificates		**3,341,351**		3,629,553
	$	**3,779,679**	$	3,655,658

8. *Capital Assets*

	2011				2010			
		Cost		**Accumulated Amortization**		Cost		Accumulated Amortization
Rental properties	**$**	**39,634,832**	**$**	**11,402,724**	$	39,803,094	$	10,298,739
Furniture and equipment		**259,532**		**207,819**		201,742		200,049
	$	**39,894,364**	**$**	**11,610,543**	$	40,004,836	$	10,498,788
Net book value	**$**	**28,283,821**			$	29,506,048		

9. *Cash and Line of Credit*

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. Included in cash, the corporation has utilized $764,221 of this line of credit as at March 31, 2011 (2010 - $72,392).

10. *Forgivable Loans*

		2011		2010
Forgivable loans	**$**	**1,824,774**	$	1,999,760
Less: current portion		**166,986**		174,986
	$	**1,657,788**	$	1,824,774

WHRC has entered into various forgivable loan agreements with Manitoba Housing under various programs. These loans are forgivable over a periods of five, ten or fifteen years (depending on agreement), 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 Manitoba Housing.

The loans will be forgiven for the years ended as follows:

March 31,	2012	$	166,986
	2013		166,986
	2014		166,986
	2015		166,986
	2016		160,262
	Thereafter		996,568
		$	1,824,774

11. *Long-Term Debt*

Lender	Interest Rate	Maturity Dates	**2011**	2010
Royal Bank of Canada	4.64%	2010	**$ -**	$ 8,060
Assiniboine Credit Union	2.75% - 6.50%	2013-2029	**289,844**	301,344
TD Canada Trust	5.10%	2017	**784,533**	803,895
Canada Mortgage Housing Corporation	4.52% - 5.50%	2017-2021	**4,171,225**	4,443,066
Manitoba Housing	6.63% - 12.50%	-	**21,809,944**	22,603,165
			27,055,546	28,159,530
Less: current portion			**1,193,937**	1,100,667
			$ 25,861,609	$ 27,058,863

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.

The principal portion of long-term debt is repayable for the years ended as follows:

March 31,	2012	$ 1,193,937
	2013	1,300,957
	2014	1,418,722
	2015	1,548,384
	2016	1,681,772
	Thereafter	18,815,902
	CMHC second mortgages	1,095,872
		$ 27,055,546

12. *WHRC Building and Acquisition Reserve*

The WHRC building and acquisition reserve consists 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 acquiring or building properties and adding them to WHRC's rental portfolio.

13. *Additional Information to Cash Flow Statement*

	2011	2010
Cash represented by:		
Cash	**$ 903,527**	$ 1,555,469
Restricted cash and deposits	**3,779,679**	3,655,658
	$ 4,683,206	$ 5,211,127
Interest received	**$ 121,492**	$ 99,667
Interest paid	**2,465,311**	2,556,759

14. Income Testing

The corporation has requested and obtained evidence of the income of tenants paying rent according to the rent-to-income scale as required by sub-paragraph 2(S) of the Operating Agreement with CMHC and Manitoba Housing.

The corporation has applied a rent-to-income ratio for those leases in accordance with sub-paragraph 2(S) of the Operating Agreement.

The corporation has adjusted the rental charge for rent-to-income leases in accordance with sub-paragraph 2(S) of the Operating Agreement.

15. Use of Estimates

The preparation of the financial statements 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 revenue and expenditures during the reporting periods presented. Actual results could differ from these estimates.

16. Financial Instruments

The corporation has designated all of its financial instruments as held-for-trading which means that they are measured at fair value with gains or losses recognized in operations with the exception of the WHRC Rental and Development long-term debt which is classified as other liabilities and recorded at amortized cost. Due to the short-term nature of the following financial instruments held by the corporation, including cash, rents receivable, grants receivable, other receivables, subsidy due from CMHC, subsidy due from Manitoba Housing, operating deficiency recoverable from Manitoba Housing, restricted cash and deposits, accounts payable and accrued liabilities and accrued interest payable, the carrying values as presented in the financial statements are reasonable estimates of fair value. The carrying value of the long-term debt at the balance sheet date approximates the fair market value as represented by the present value of future cash flows given that the interest rate risk is protected by agreements with CMHC and Manitoba Housing. The carrying value of the WHRC Rental and Development long-term debt at the balance sheet date approximates the fair market value as represented by the present value of future cash flows. The carrying value of the forgivable loans approximates fair market value as management intends to fulfill the requirements of the loan forgiveness. It is management's opinion that the corporation is not exposed to significant interest rate, currency or credit risk arising from any of its financial instruments.

PHOTO: Darcy Finley

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

		2011		2010
ASSETS				
Cash	**$**	**91,456**	$	126,121
Due from City of Winnipeg (Note 3)		**733,389**		3,239,136
	$	**824,845**	$	3,365,257
LIABILITIES				
Due to City of Winnipeg - General Revenue Fund (Note 4)	**$**	**274,226**	$	768,153
Accounts payable and accrued liabilities		**4,600**		4,600
Debt (Note 5)		**706,083**		988,614
		984,909		1,761,367
(CAPITAL DEFICIENCY) NET ASSETS		**(160,064)**		1,603,890
	$	**824,845**	$	3,365,257

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN (CAPITAL DEFICIENCY) NET ASSETS

For the years ended December 31
(unaudited)

	2011	2010
REVENUES		
Entertainment funding tax - Winnipeg Football Club (Note 6)	**$ 803,620**	$ 708,650
EXPENSES		
Write-down of long-term receivable (Note 3)	**1,772,357**	-
Write-off of long-term receivable (Note 3)	**733,390**	733,389
Interest on debt and other finance charges	**61,527**	77,876
Professional fees	**300**	299
	2,567,574	811,564
NET LOSS FOR THE YEAR	**(1,763,954)**	(102,914)
NET ASSETS - BEGINNING OF YEAR	**1,603,890**	1,706,804
(CAPITAL DEFICIENCY) NET ASSETS - END OF YEAR	**$ (160,064)**	$ 1,603,890

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(unaudited)

1. Entity Definition and Wind-Up of Operations

Winnipeg Enterprises Corporation ("the Corporation") is a not-for-profit organization established by the Winnipeg Enterprises Corporation Incorporation Act on July 26, 1952 under the laws of the Province of Manitoba. As at March 31, 2005, the Corporation has wound-down its operations and is being managed by The City of Winnipeg ("the City"), its sole director. The City has assumed all remaining and prospective debt and liabilities of the Corporation.

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, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, debt and an interest rate swap on 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 its 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 City of Winnipeg

The due from City of Winnipeg represents the net book value of the property and equipment that was owned by the Corporation and transferred to the City based on the assignment agreement dated June 1, 2004 between the City, the Corporation and the Winnipeg Football Club ("WFC"). The receivable was 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.

A new stadium is being constructed at the University of Manitoba and is scheduled to open in 2012. The City has approved re-development of the existing Stadium site (Note 6) with no residual value expected to accrue to the benefit of the Corporation. Therefore, the capital assets have been written-down.

4. Due to City of Winnipeg - General Revenue Fund

The City 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" 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, 2011 effective interest rate was 0.9% (2010 - 0.9%).

5. Debt

	2011	2010
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 installments of $70,833 plus interest	**$ 706,083**	$ 988,614

Credit facility A is secured by a limited guarantee from the City of Winnipeg of $7,650,000.

6. Entertainment Funding Tax - Winnipeg Football Club

On May 18, 2005, City Council approved the amendment to the Canad Inns Stadium lease with the Corporation. The amendment included a provision which allows the City to use the entertainment funding tax, which relates to one pre-season game and nine regular season games, to first repay the remaining amount invested by the Corporation in the WFC by way of income debentures totalling $1,194,000. This has been repaid in its entirety. Thereafter, this entertainment funding tax will be used to reduce the debt in the Corporation associated with WFC, which totalled approximately $3,265,244 as at December 31, 2004. The unamortized amount of this debt, based on an interest rate of 5% net of the entertainment funding tax applied against the debt, as at December 31, 2011 is $972,175 (2010 - $1,689,364).

On December 15, 2010, City Council approved an amendment to the Economic Development Initiative for the re-development of the existing Stadium site and the new Stadium development at the University of Manitoba. All the entertainment funding tax remitted to the City in relation to the new Stadium will be used to repay this debt. Once the debt has been repaid, the entertainment funding tax on regular season and exhibition Blue Bomber football games will be used as follows:

- The first $2.0 million shall be paid by WFC to BBB Stadium Inc. ("BBB") to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC;
- The next $0.5 million shall be paid by WFC to BBB to be applied by BBB to a Stadium Capital Fund; and
- The balance, if any, shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC.

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31

		2011		2010
ASSETS				
Current Assets				
Cash and bank (Note 2)	**$**	**142,526**	$	-
Restricted cash (Note 3)		**1,762**		37,620
Accounts receivable (Note 4)		**1,537,379**		4,114,442
Prepaid expenses		**9,206**		11,106
Property held for resale (Note 5)		**2,495,733**		2,785,242
Current portion of mortgages receivable (Note 6)		**752,511**		693,957
Current portion of loans receivable (Note 7)		**1,025,823**		1,014,847
		5,964,940		8,657,214
Mortgages receivable (Note 6)		**2,903,993**		928,594
Loans receivable (Note 7)		**3,802,345**		3,069,971
Capital assets (Note 8)		**3,166,773**		4,634,342
	$	**15,838,051**	$	17,290,121
LIABILITIES AND NET ASSETS				
Current Liabilities				
Bank indebtedness (Note 2)	**$**	**-**	$	482,383
Accounts payable and accrued liabilities		**490,825**		634,976
Holdbacks payable (Note 3)		**1,762**		37,620
Deferred grant revenue (Note 9)		**679,794**		746,617
Current portion of long-term debt (Note 10)		**155,737**		148,908
		1,328,118		2,050,504
Long-term debt (Note 10)		**4,291,440**		4,449,880
		5,619,558		6,500,384
Commitments and contingencies (Notes 8 and 11)				
NET ASSETS				
Invested in capital assets (Note 14)		**1,194,219**		1,138,137
General		**97,000**		97,000
Urban Development Bank		**8,927,274**		9,554,600
		10,218,493		10,789,737
	$	**15,838,051**	$	17,290,121

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31

	Invested in Capital Assets	General	Urban Development Bank	Total 2011	Total 2010
Balance, beginning of year	**$ 1,138,137**	**$ 97,000**	**$ 9,554,600**	**$ 10,789,737**	$ 11,219,537
Excess (deficiency) of revenue over expenditures for the year	**(164,809)**	**33,849**	**(440,284)**	**(571,244)**	(429,800)
Fund transfers	**-**	**(33,849)**	**33,849**	**-**	-
Net change in invested in capital assets	**220,891**	**-**	**(220,891)**	**-**	-
Balance, end of year	**$ 1,194,219**	**$ 97,000**	**$ 8,927,274**	**$ 10,218,493**	$ 10,789,737

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31

	2011			2010
	General	**Urban Development Bank**	**Total**	Total
Revenue				
Grant				
City of Winnipeg	**$ 293,156**	**$ -**	**$ 293,156**	$ 100,000
Province of Manitoba	**-**	**51,000**	**51,000**	-
Designated grants	**-**	**449,034**	**449,034**	217,616
Interest	**468,691**	**-**	**468,691**	519,366
Commissions and development fees	**81,781**	**65**	**81,846**	258,382
Rental	**24,000**	**522,281**	**546,281**	212,294
Sale of properties	**-**	**891,325**	**891,325**	1,759,684
	867,628	**1,913,705**	**2,781,333**	3,067,342
Expenditures				
Administration	**663,286**	**1,964**	**665,250**	653,534
Amortization	**33,070**	**131,739**	**164,809**	129,645
Bank charges and interest	**1,567**	**208**	**1,775**	25,479
Interest on long-term debt	**-**	**91,129**	**91,129**	15,335
Cost of properties	**-**	**643,118**	**643,118**	2,072,537
Grants paid out				
Designated revenues	**-**	**433,333**	**433,333**	217,616
Insurance	**8,531**	**14,182**	**22,713**	9,828
Office	**80,237**	**-**	**80,237**	60,899
Professional fees				
Contract management	**-**	**103,806**	**103,806**	21,317
IT and other	**18,143**	**-**	**18,143**	9,006
Accounting, legal and transaction costs	**37,438**	**108,777**	**146,215**	115,123
Marketing	**24,577**	**5,408**	**29,985**	29,079
Project development	**-**	**230,893**	**230,893**	80,340
Property rental	**-**	**211,671**	**211,671**	44,404
Public destinations	**-**	**-**	**-**	1,500
Community investment	**-**	**509,500**	**509,500**	11,500
	866,849	**2,485,728**	**3,352,577**	3,497,142
Excess (deficiency) of revenue over expenditures for the year	**$ 779**	**$ (572,023)**	**$ (571,244)**	$ (429,800)
Allocated to:				
General	**$ 33,849**	**$ -**	**$ 33,849**	$ 110,113
Urban Development Bank	**-**	**(440,284)**	**(440,284)**	(410,268)
Invested in capital assets	**(33,070)**	**(131,739)**	**(164,809)**	(129,645)
Excess (deficiency) of revenue over expenditures for the year	**$ 779**	**$ (572,023)**	**$ (571,244)**	$ (429,800)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for the year	**$ (571,244)**	$ (429,800)
Adjustments for:		
Amortization of capital assets	**164,809**	129,645
Gain on disposal of properties	**-**	(879,626)
Accrued interest on mortgages	**197**	1,885
Accrued interest on loans receivable	**1,545**	2,051
	(404,693)	(1,175,845)
Changes in non-cash working capital balances		
Accounts receivable	**2,577,063**	(2,722,435)
Prepaid expenses	**1,900**	3,706
Property held for resale	**289,509**	(1,428,498)
Accounts payable and accrued liabilities	**(144,151)**	(107,792)
Holdbacks payable	**(35,858)**	(185,445)
Deferred grant revenue	**(66,823)**	313,956
	2,621,640	(4,126,508)
	2,216,947	(5,302,353)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	**(4,900,455)**	(3,181,977)
Proceeds on sale of capital assets	**-**	1,750,000
Advances of mortgages receivable	**(2,077,632)**	(433,283)
Receipts from mortgages receivable	**43,485**	304,381
Advances of loans receivable	**(1,346,500)**	(562,438)
Receipts from loans receivable	**601,602**	2,235,746
	(7,679,500)	112,429
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of government assistance	**6,203,214**	-
Proceeds from long-term debt	**-**	4,598,788
Repayment of long-term debt	**(151,610)**	-
	6,051,604	4,598,788
Increase (decrease) in cash and cash equivalents during the year	**589,051**	(591,136)
Cash and cash equivalents, beginning of year	**(444,763)**	146,373
Cash and cash equivalents, end of year	**$ 144,288**	$ (444,763)
Comprised of		
Cash and bank	**$ 142,526**	$ -
Bank indebtedness	**-**	(482,383)
Restricted cash	**1,762**	37,620
	$ 144,288	$ (444,763)

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

For the year ended December 31, 2011

Principles of Consolidation

These consolidated financial statements include the accounts of CentreVenture Development Corporation ("corporation"), and its wholly-owned subsidiaries Centre Village Housing Inc. and BellMain Residences Inc., which operate under common management. Intra-company and inter-company transactions and balances have been eliminated upon consolidation.

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 was initiated in 1999 through a contribution by the City of Winnipeg. Funds are 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 assets of the Urban Development Bank are invested in loans, receivables and property held for development.

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. A transaction fee is levied by the corporation on these sales.

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:

Special Projects - Restricted Funding Arrangements (continued)

Province of Manitoba:

North Main Economic Development Program Grant
The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

City of Winnipeg:

Downtown Housing Strategy
The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

City of Winnipeg:

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 CentreVenture Development Corporation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the CentreVenture Development Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The CentreVenture Development Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The CentreVenture Development Corporation's accounting policy for each category is as follows:

Financial Instruments (continued)

Asset/Liability	Category	Measurement
Restricted cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Mortgages receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Bank indebtedness	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Holdbacks payable	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.

- Other financial liabilities are carried at amortized cost, using the effective interest method.

- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis in accordance with the following estimated useful life of the assets:

Building	25 years
Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	3 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.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

Accounting Standards for Not-for-Profit Organizations (NPO)

In December 2010, the Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

Government (public sector) NPOs they have a choice of:

1. Public Sector Accounting Standards with the current series of NPO-specific standards added with some minor changes; or

2. Public Sector Accounting standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting Part V - Pre-Changeover Standards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2011

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. The corporation is exempt from income tax by virtue of p. 149(1)(e) of the Income Tax Act. The corporation files a corporate tax return and a non-profit organization information return annually as required by the Canada Revenue Agency.

2. Cash and Bank/Bank Indebtedness

The corporation has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $10,400,000. The line of credit bears interest at Royal Bank prime rate minus 0.75% per annum and is secured by an unconditional and irrevocable guarantee signed by the City of Winnipeg in the amount of $13,000,000 and a general security agreement on all personal property of the corporation. As at December 31, 2011, the line of credit had a balance owing of $nil (2010 - $557,876).

3. Restricted Cash/Holdbacks Payable

The corporation has a holdback account that is jointly controlled with one of its contractors for a specific project.

4. Accounts Receivable

	2011	2010
Land sale receivable	**$ -**	$ 1,750,000
Central Park Project	**710,768**	1,564,497
Other	**517,444**	750,232
GST receivable	**149,817**	49,713
Grants receivable	**159,350**	-
	$ 1,537,379	$ 4,114,442

5. 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. The land inventory available under the asset agreement has been substantially depleted.

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:

5. *Property Held for Resale (continued)*

	2011	2010
Property for sale	**$ 2,349,829**	$ 2,780,101
Property development costs	**145,904**	5,141
	$ 2,495,733	$ 2,785,242

6. *Mortgages Receivable*

	2011	2010
Mortgages receivable	**$ 3,670,609**	$ 1,636,462
Accrued interest receivable	**5,895**	6,089
Allowance for doubtful loans	**(20,000)**	(20,000)
	3,656,504	1,622,551
Current portion of mortgages receivable	**752,511**	693,957
	$ 2,903,993	$ 928,594

Mortgages receivable are on various properties in downtown Winnipeg with terms ranging from demand to maturity of 15 years, monthly installments 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 4.47% to 8.0% and are both fixed and variable in reference to the bank of Canada's prime rate of lending at the time of loan disbursement.

Mortgage principal receipts are expected as follows:

2012	**$ 752,511**
2013	**730,799**
2014	**401,174**
2015	**241,597**
2016	**1,544,528**
Accrued interest	**5,895**
	3,676,504
Allowance	**(20,000)**
	$ 3,656,504

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2011.

7. *Loans Receivable*

	2011	2010
Loans receivable	**$ 4,928,720**	$ 4,183,822
Accrued interest receivable	**29,448**	30,996
Allowance for doubtful loans	**(130,000)**	(130,000)
	4,828,168	4,084,818
Current portion of loans receivable	**1,025,823**	1,014,847
	$ 3,802,345	$ 3,069,971

7. Loans Receivable (continued)

Loans receivable from various borrowers have a maximum term to maturity of 10 years, payable in monthly interest installments plus annual principal payment, and secured by an assignment of Heritage Tax Credits or other forms of security. Interest rates charged, ranging from 5.0% to 8.5%, are both fixed and variable in reference to the bank of Canada's prime rate of lending at the time of loan disbursement.

Loan principal receipts are expected as follows:

2012	**$ 1,025,823**
2013	**1,723,744**
2014	**342,814**
2015	**342,814**
2016	**332,143**
Thereafter	**1,162,061**
Accrued interest	**28,769**
	4,958,168
Allowance	**(130,000)**
	$ 4,828,168

The above schedule lists the expected receipts based on loans maturing during the year. Negotiations to renew loans may occur as terms expire throughout 2011.

8. Capital Assets

	2011		2010	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings (see below)	**$ 2,858,648**	**$ 119,401**	$ 4,226,719	$ 29,593
Computer equipment	**104,073**	**90,835**	97,728	78,770
Furniture and fixtures	**111,007**	**47,144**	106,200	26,687
Leasehold improvements	**575,219**	**224,794**	521,059	182,314
	$ 3,648,947	**$ 482,174**	$ 4,951,706	$ 317,364
Net book value	**$ 3,166,773**		$ 4,634,342	

The cost of buildings have been presented net of government assistance received from various levels of government as follows:

	2011	2010
Building at cost	**$ 9,609,320**	$ 4,991,196
Government assistance received	**(6,750,672)**	(764,477)
	$ 2,858,648	$ 4,226,719

8. *Capital Assets (continued)*

The details of government assistance outstanding is as follows:

		2011		2010
Forgivable loans				
Bell Hotel				
Province of Manitoba (15 year term loan, with maturity date set at August 1, 2026. Payments are not required as long as the property operates as an affordable housing complex).	**$**	**2,430,555**	$	-
Government of Canada (15 year term loan, with maturity date set at August 1, 2026. Payments are not required as long as the property offers services for the homeless approved by the Government of Canada).		**2,750,672**		764,477
Centre Village Housing Inc.				
Province of Manitoba (15 year term loan, with maturity date set at July 1, 2025. Payments are not required as long as the property operates as an affordable housing complex).		**1,429,167**		-
	$	**6,610,394**	$	764,477

The five year forgiveness schedule for the forgivable loans is as follows:

2012	**$**	**459,214**
2013		**459,214**
2014		**459,214**
2015		**459,214**
2016		**459,214**
Thereafter		**4,314,324**
	$	**6,610,394**

At December 31, 2011 the forgivable balance of $6,610,394 is a contingent liability to the Corporation. The Corporation has met all requirements during the year related to the terms of the forgivable loans.

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:

		2011		2010
Gail Parvin Hammerquist 2004	**$**	**-**	$	5,747
Gail Parvin Hammerquist 2006/2007		**-**		150,050
Gail Parvin Hammerquist 2008		**-**		67,898
Gail Parvin Hammerquist 2009		**677,194**		520,322
North Main Economic Development Program Grant		**2,600**		2,600
	$	**679,794**	$	746,617

10. *Long-term Debt*

	2011	2010
Royal Bank of Canada Insurance, term loan payable at the fixed rate of 4.47%, due October 2025, blended yearly payments of $241,597, secured by a general security agreement constituting a first ranking security interest in all personal property, and an unconditional and irrevocable guarantee signed by the City of Winnipeg in the amount of $13,000,000.	**$ 2,474,623**	$ 2,602,583
Mortgage payable at the rate of 4.59%, due January 2015, blended monthly payments of $9,565, the balance is unsecured.	**1,972,554**	1,996,205
	4,447,177	4,598,788
Current portion of long-term debt	**155,737**	148,908
	$ 4,291,440	$ 4,449,880

Principal repayments for the next five years and thereafter are as follows:

2012	**$ 155,737**
2013	**162,753**
2014	**170,085**
2015	**177,746**
2016	**2,022,364**
Thereafter	**1,758,492**
	$ 4,447,177

The term loan payable of $2,474,623 noted above, was incurred to fund a 15 year mortgage loan of an equal amount which CentreVenture extended to Youth Centre of Excellence project at 333 King Street. CentreVenture receives an annual payment against the mortgage receivable over a 15 year period from the City of Winnipeg to cover the annual debt servicing costs (principal and interest) related to Youth Centre of Excellence's loan.

11. *Commitments and Contingencies*

The corporation has made commitments for grants that had not been disbursed by the December 31, 2011 year end in the approximate amount of $450,000 (2010 - $941,737).

The corporation has made commitments for loans that had not been disbursed by the December 31, 2011 year end in the approximate amount of $2,045,731 (2010 - $1,309,221).

The corporation has made commitments for property development and property purchases with the maximum amount committed to be $nil (2010 - $nil) pending the recipient's ability to meet the requirements of the agreement.

11. Commitments and Contingencies (continued)

The corporation has made commitments for leases for the next five years as follows:

2012	**$**	**21,050**
2013		**11,542**
2014		**1**
2015		**1**
2016		**1**

12. Related Party Transactions

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

		2011		2010
REVENUE				
City of Winnipeg (parent) - operating grant	**$**	**293,156**	$	100,000
City of Winnipeg (parent) - miscellaneous		**5,250**		20,125
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES				
City of Winnipeg (parent) - Property taxes		**95,839**		105,376
City of Winnipeg (parent) - Property purchases		**1**		-
OTHER				
City of Winnipeg (parent) - Assigned Heritage Tax Credits applied against loans receivable		**761,749**		232,919

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).

13. Capital Management

The corporation has managed its capital according to the plan approved by the City of Winnipeg for the 2011 to 2014 period. That plan contains the following principles:

- Each year's operations are budgeted on a break-even basis, so that the corporation's equity over the long-term neither grows nor diminishes on account of annual operations.

- The corporation's invested equity includes the land included in "invested in capital assets", as well as its general net assets and the balance of the Urban Development Bank. The corporation uses some of this equity to make community investments in the revitalization of Winnipeg's downtown. At December 31, 2011, the equity level was $10.2 million.

14. Invested in Capital Assets

		2011		2010
a) Investment in capital assets is calculated as follows:				
Capital assets	**$**	**3,166,773**	$	4,634,342
Amounts to be financed by				
Approved grants and mortgage advances		**1,972,554**		3,496,205
	$	**1,194,219**	$	1,138,137

14. Invested in Capital Assets (continued)

b) Change in net assets invested in capital assets is calculated as follows:

		2011		2010
Deficiency of revenue over expenditures				
Amortization of capital assets	**$**	**(164,809)**	$	(129,645)
Net changes in investment in capital assets				
Purchase of capital assets	**$**	**4,900,455**	$	3,181,977
Disposal of assets		**-**		(870,374)
Amounts to be funded by:				
Approved grants and mortgage advances		**(4,703,214)**		(2,781,856)
Repayment of long-term debt		**23,650**		-
	$	**220,891**	$	(470,253)

15. Fair Value of Financial Instruments

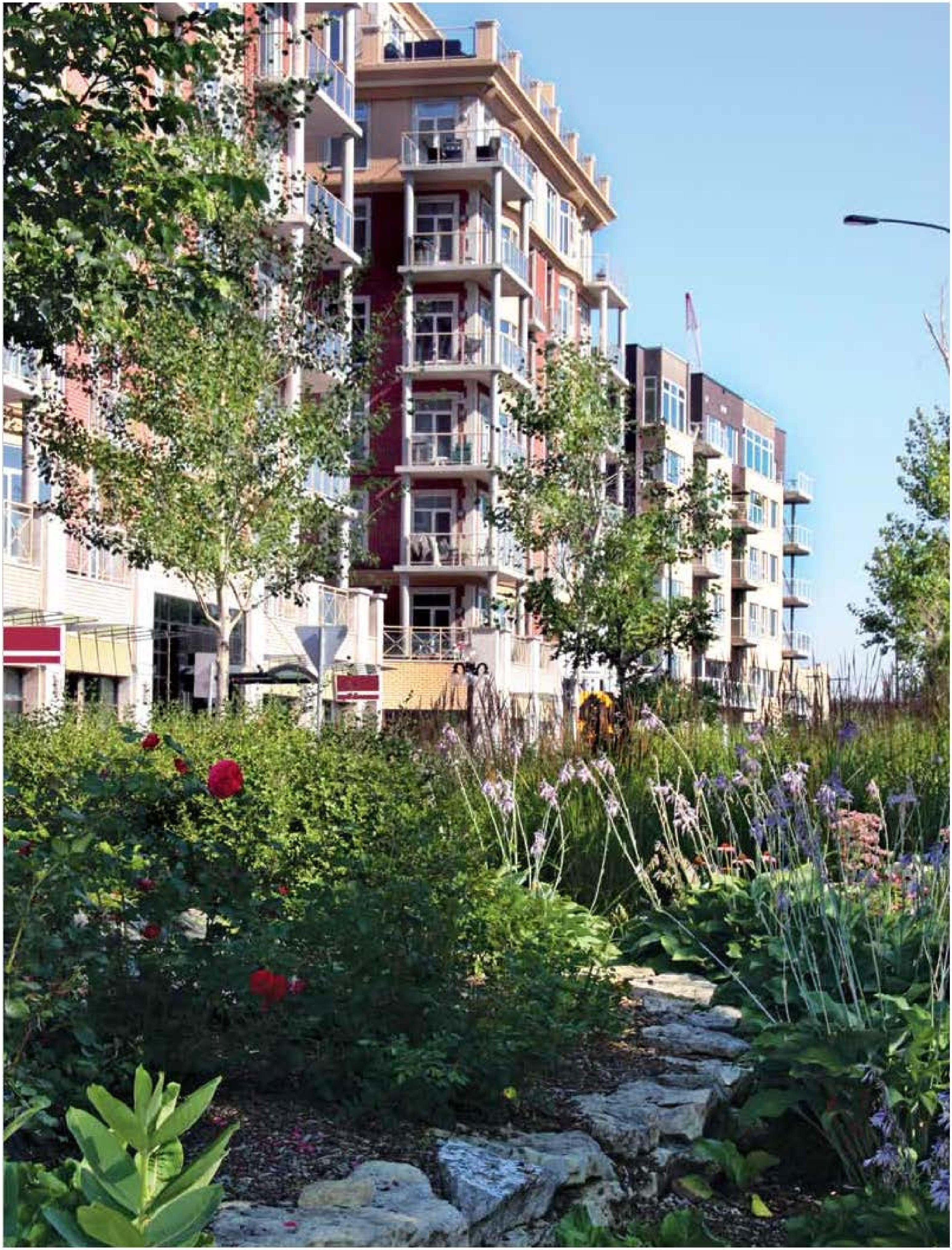
The carrying amount of the corporation's financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying 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.

16. The Sports, Hospitality and Entertainment District

The Sports, Hospitality and Entertainment District (S.H.E.D.) has been championed by CentreVenture Development Corporation along with our Downtown partners. Over 2011, CentreVenture has entered into and recorded the following transactions in these financial statements.

Cost incurred		
Market study for S.H.E.D.	**$**	**52,723**
S.H.E.D. Concept Design		**96,864**
		149,587
Costs recovered from partners		**25,000**
Net unrecovered costs	**$**	**124,587**

These costs are recorded in the Urban Bank section of the Consolidated Statement of Operations.



WINNIPEG ARTS COUNCIL INC.

STATEMENT OF OPERATIONS

Year ended December 31

	2011	2010
REVENUES		
City of Winnipeg	**$ 4,032,552**	$ 4,032,552
Arts Development	**26,788**	19,571
Winnipeg Foundation	**-**	17,500
Other income	**7,335**	12,450
Interest income	**17,628**	11,093
	4,084,303	4,093,166
EXPENSES		
Program expenses (Schedule of Expenses)	**3,701,929**	3,561,126
Administrative expenses (Schedule of Expenses)	**340,427**	282,647
	4,042,356	3,843,773
OTHER PROJECTS		
Cultural Capital of Canada revenues		
Contributions	**1,254,387**	1,390,322
City of Winnipeg	**-**	150,000
Cultural Capital of Canada expenses	**(1,254,387)**	(1,780,322)
Public Art revenues	**456,704**	309,929
Public Art expenses (Schedule of Expenses)	**(456,704)**	(309,929)
	-	(240,000)
EXCESS OF REVENUES OVER EXPENSES BEFORE AMORTIZATION	**41,947**	9,393
AMORTIZATION	**(15,884)**	(15,157)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AFTER AMORTIZATION	**$ 26,063**	$ (5,764)

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	Unrestricted	Invested in Capital Assets	Internally Restricted	**Total 2011**	Total 2010
Net assets, beginning of year As previously reported	$ 42,387	$ 88,830	$ 194,691	**$ 325,908**	$ 1,328,987
Prior period adjustment	-	-	-	**-**	(997,315)
As restated	42,387	88,830	194,691	**325,908**	331,672
Excess (deficiency) of revenues over expenses	41,947	(15,884)	-	**26,063**	(5,764)
Transfers (Note 6)	(2,731)	2,731	(20,000)	**(20,000)**	-
Net assets, end of year	$ 81,603	$ 75,677	$ 174,691	**$ 331,971**	$ 325,908

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENT OF FINANCIAL POSITION

December 31

		2011		2010
ASSETS				
Current				
Cash	**$**	**95,043**	$	59,550
Term deposits		**990,000**		1,446,000
Receivables		**6,736**		27,332
GST receivable		**20,338**		19,529
Prepaid expenses		**56,988**		3,475
		1,169,105		1,555,886
Equipment and leasehold improvements (Note 3)		**75,677**		88,830
	$	**1,244,782**	$	1,644,716
LIABILITIES				
Current				
Payables and accruals	**$**	**5,000**	$	46,590
Grant holdbacks (Note 4)		**122,108**		61,340
Deferred contributions (Note 5)		**785,703**		1,210,878
		912,811		1,318,808
NET ASSETS				
Unrestricted		**81,603**		42,387
Invested in Capital Assets		**75,677**		88,830
Internally Restricted (Note 8)		**174,691**		194,691
		331,971		325,908
	$	**1,244,782**	$	1,644,716

Commitment (Note 7)

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

1. Nature of operations

Winnipeg Arts Council Inc. (the Organization) funds, supports, and fosters development of the arts on behalf of the people of Winnipeg.

The Organization is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost. The Organization provides for amortization using the following methods at rates designed to amortize the cost of the equipment and leasehold improvements over their estimated useful lives. The annual amortization rates and methods are as follows:

Office equipment	5 years Straight-line
Furniture and fixtures	10 years Straight-line
Computer equipment	3 years Straight-line

Amortization of leasehold improvements is recorded over the term of the lease.

b) Revenue recognition

The Organization 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 estimated and collection is reasonably assured.

c) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

d) Financial instruments

The Organization's financial instruments consist of cash, term deposits, receivables, payables and accruals and grant holdbacks. Unless otherwise noted it is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

3. *Equipment and leasehold improvements*

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Office equipment	**$ 6,574**	**$ 6,574**	**$ -**	$ 1,092
Furniture and fixtures	**29,664**	**12,670**	**16,994**	17,310
Leasehold improvements	**104,258**	**47,722**	**56,536**	66,962
Computer equipment	**3,961**	**1,814**	**2,147**	3,466
	$ 144,457	**$ 68,780**	**$ 75,677**	$ 88,830

4. *Grant holdbacks*

The Organization follows the 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 the award balances which will be disbursed in the future according to the specified guidelines.

The composition of the holdbacks according to award category are as follows:

	2011	2010
Project grants	**$ 56,862**	$ 25,878
Youth Arts Initiative	**2,300**	16,400
New Creations	**24,000**	11,138
Audience Development	**3,000**	6,424
Professional development	**-**	1,500
Arts Development	**3,500**	-
Individual artist	**32,446**	-
	$ 122,108	$ 61,340

5. *Deferred contributions*

Deferred contributions represent restricted funding and unspent externally restricted resources which relate to the subsequent year.

Public Art relates to the design and execution of particular artworks to be created in public areas of Winnipeg. The commissioning and installation of public art projects is a multi-year process. This project is supported by a specified allocation from the City of Winnipeg. Financial support to individual artists is awarded on the recommendation of juries selected by the Organization.

In 2009, Winnipeg was designated as the Cultural Capital of Canada 2010 by the department of Canadian Heritage. Various governments have committed funds in excess of two million dollars to the City for use by the Organization for community arts projects as designated and approved by Canadian Heritage.

5. Deferred contributions (continued)

	2011	2010
Public Art		
Balance, beginning of year	**$ 675,945**	$ 957,490
Contributions		
City of Winnipeg	**460,400**	452,372
Other	**35,700**	84,364
Allocation to Cultural Capital of Canada	**-**	(508,352)
Transferred to revenue	**(456,704)**	(309,929)
	715,341	675,945
Cultural Capital of Canada		
Balance, beginning of year	**534,933**	39,825
Contributions	**789,816**	1,767,078
Allocation from Public Art	**-**	508,352
Transferred to revenue	**(1,254,387)**	(1,780,322)
	70,362	534,933
(Decrease) Increase during the year	**(425,175)**	213,563
Deferred contributions, beginning of year	**1,210,878**	997,315
Deferred contributions, end of year	**$ 785,703**	$ 1,210,878

The following provides a breakdown by project of the unexpended balance:

	2011	2010
Public Art Projects		
Osborne Bridge	**$ 16,538**	$ 121,538
Bijou Park	**134,500**	-
Central Park	**13,068**	120,438
With Art: Community Arts Projects	**156,828**	119,136
Millennium Park Literary Fence	**55,953**	95,953
Community Gardens	**29,965**	85,013
BIZ Collaboration	**79,559**	69,559
Private-Public Partnership	**17,981**	-
Public Education and Outreach	**9,842**	-
Transit Project	**-**	3,535
Bishop Grandin Greenway	**-**	2,508
St. Boniface Museum	**-**	290
Transcona Performance	**143,132**	-
Public Art Contingency	**57,975**	57,975
	715,341	675,945
Cultural Capital of Canada	**70,362**	534,933
	$ 785,703	$ 1,210,878

6. *Transfers*

During the year, the Board of Directors approved the following transfers:

$2,731 (2010 - $3,960) was transferred from unrestricted net assets to invested in capital assets in order to fund cash outlays for capital asset acquisitions.

$20,000 (2010 - $nil) was transferred from internally restricted net assets to The Winnipeg Foundation in order to establish an endowment fund in the Organization's name.

$nil (2010 - $36,954) was transferred from internally restricted net assets to unrestricted net assets in order to fund the Arts Development program.

7. *Commitment*

The Organization has entered into a lease agreement at an annual cost of $35,464 until March 31, 2012. Commencing April 1, 2012, the rent will increase annually by the Consumer Price Index. The lease expires in 2017.

8. *Internally restricted net assets*

	2011	2010
Cash flow assistance	**$ 100,000**	$ 100,000
Future programs	**42,667**	62,667
Municipal Arts and Cultural Development	**32,024**	32,024
	$ 174,691	$ 194,691

The allocation for cash flow assistance 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.

The allocation for Future Programs is available for the development of new programs at the discretion of the Board of Directors.

The allocation to Municipal Arts and Cultural Development was made to finance future projects to engage the overall community in support of the arts in the City of Winnipeg.

9. *Economic dependence*

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

10. *Capital disclosure*

The Organization considers its capital to be the balance maintained in its unrestricted net assets. Capital is invested under the direction of the Board of Directors. The primary objective of the Organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. The Organization is not subject to any externally imposed requirements of its capital.

11. Endowment Fund

In 2011, the Organization established an Endowment Fund through a $20,000 contribution to be held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Organization annually to support general operations. As of December 31, 2011, the Organization's contributions to the Endowment Fund totaled $20,000 (2010 - $nil) with a matching grant contribution of $15,000 (2010 - $nil) from The Winnipeg Foundation. The market value of the Endowment Fund at December 31, 2011 is $35,502 (2010 - $nil).

12. Statement of cash flows

This statement has not been presented as management does not believe it provides additional meaningful information.

WINNIPEG ARTS COUNCIL INC.

SCHEDULE OF EXPENSES

Year ended December 31

		2011		2010
PROGRAM EXPENSES				
Operating grants	**$**	**2,953,650**	$	2,973,750
Project grants		**190,000**		227,281
Individual artist grants		**155,678**		150,000
Professional development grants		**69,358**		69,891
New Creations grant		**227,198**		-
Arts Development		**76,011**		56,524
Youth initiative grants		**-**		46,000
Jury honoraria and expenses		**17,251**		17,357
Translation services		**6,533**		14,073
Carol Shields Winnipeg Book Award		**6,250**		6,250
	$	**3,701,929**	$	3,561,126
ADMINISTRATIVE EXPENSES				
Board and committee meetings	**$**	**9,405**	$	6,181
Hospitality and promotion		**9,089**		6,991
Professional and consultant fees		**12,199**		7,540
Professional development, membership and conferences		**3,688**		4,355
Rent		**41,453**		41,076
Salaries and benefits		**233,138**		187,514
Supplies and other office expenses		**24,580**		23,750
Telecommunications		**6,875**		5,240
	$	**340,427**	$	282,647
PUBLIC ART EXPENSES				
Administration	**$**	**74,766**	$	75,537
Artists proposal expenses		**-**		22,642
Artists' fees		**352,143**		158,357
Consultation		**9,788**		9,504
Jury honoraria and expenses		**2,849**		13,810
Public education		**5,788**		22,611
Research, planning and marketing		**11,370**		7,468
	$	**456,704**	$	309,929

See accompanying notes to the financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

December 31, 2011

	2011	2010
ASSETS		
Current		
Cash and short term deposits	**$ 22,507**	$ 13,414
GST receivable	**351**	-
Prepaid expenses	**-**	225
	$ 22,858	$ 13,639
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	**$ 941**	$ 230
Library Advisory Committees payable (Note 4)	**513**	63
	1,454	293
NET ASSETS		
General fund	**21,404**	13,346
	$ 22,858	$ 13,639

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF OPERATIONS

Year ended December 31, 2011

	2011	2010
REVENUE		
City of Winnipeg operating grant	**$ 88,128**	$ 88,128
Interest	**-**	191
	88,128	88,319
EXPENSES		
Administrative	**39,377**	36,475
Sponsorship	**6,000**	6,000
Promotion, advertising and community outreach	**5,101**	10,677
Development and research	**6,592**	6,255
Foundation donation	**20,000**	15,000
Aboriginal Youth Strategy	**-**	15,886
Laptop and accessories	**-**	3,450
Strategic planning	**-**	6,247
Language and Literacy Grants	**3,000**	-
	80,070	99,990
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$ 8,058**	$ (11,671)

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2011

	2011	2010
Net assets, beginning of year	**$ 13,346**	$ 25,017
Excess of revenue over expenses	**8,058**	(11,671)
Net assets, end of year	**$ 21,404**	$ 13,346

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2011

1. Nature of Operations

The Winnipeg Public 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

Revenue recognition

The organization recognizes revenues when they are earned, specifically when all the following conditions are met:

- there is clear evidence that an arrangement exists

- amounts are fixed or can be determined

- the ability to collect is reasonably assured.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Property, plant and equipment

The organization has adopted the policy of writing off property, plant and equipment in the year of purchase.

3. Economic Dependence

The organization is dependent on the City of Winnipeg as its primary source of revenue. Should this funding substantially change, management is of the opinion that continued viable operations would be doubtful.

4. Library Advisory Committees

	2011	2010
Trust Funds Assiniboia LAC	**$ 15**	$ -
Trust Funds City Centre LAC	**249**	(1)
Trust Funds EK - Trans LAC	**(13)**	-
Trust Funds LS-WK LAC	**151**	1
Trust Funds Riel LAC	**111**	63
	$ 513	$ 63

5. 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.

ASSINIBOINE PARK CONSERVANCY INC.

BALANCE SHEET

December 31

	2011	2010
ASSETS		
Current		
Cash and short-term investments (Note 4)	**$ 5,615,306**	$ 5,324,278
Accounts receivable	**313,968**	1,566,069
Construction advance receivable (Note 5)	**328,454**	-
Inventory	**94,058**	75,822
Prepaid expenses	**92,221**	53,066
	6,444,007	7,019,235
Capital assets (Note 6)	**34,662,597**	12,098,434
Art collections (Note 7)	**13,532,891**	-
Employee benefits receivable (Note 8)	**556,122**	608,167
	$ 55,195,617	$ 19,725,836
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 6,296,598**	$ 3,489,986
Deferred contributions - operating (Note 9)	**452,563**	111,765
Notes payable (Note 10)	**2,975,000**	-
Construction advance payable (Note 5)	**-**	1,432,250
	9,724,161	5,034,001
Deferred contributions - operating (Note 9)	**316,063**	-
Deferred contributions - capital (Note 11)	**31,341,773**	14,287,677
Notes payable (Note 10)	**75,000**	-
Accrued employee benefits (Note 8)	**324,955**	377,000
	41,781,952	19,698,678
Commitments (Note 17)		
NET ASSETS		
Invested in capital assets	**9,612**	13,739
Invested in art collections	**13,382,891**	-
Unrestricted net assets	**21,162**	13,419
	13,413,665	27,158
	$ 55,195,617	$ 19,725,836

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENT OF OPERATIONS

For the Year ended December 31

	2011	2010
REVENUE		
City of Winnipeg (Note 12)	**$ 10,986,694**	$ 4,455,176
Other operating grants	**80,077**	76,457
Gifts and sponsorships (Note 13)	**936,257**	427,898
Amortization of deferred contributions	**1,221,143**	119,074
Park revenues	**3,618,999**	720,278
	16,843,170	5,798,883
Direct costs of park revenues (Note 12)	**2,444,915**	686,460
	14,398,255	5,112,423
EXPENSE		
Administration (Note 12)	**1,293,410**	1,118,387
Amortization of capital assets	**1,020,270**	123,201
Insurance (Note 16)	**103,636**	47,035
Operations (Note 12)	**1,665,109**	106,802
Utilities (Note 12)	**704,185**	49,999
Wages, benefits and contract services (Note 12)	**9,608,029**	3,657,707
	14,394,639	5,103,131
EXCESS OF REVENUE OVER EXPENSE	**$ 3,616**	$ 9,292

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	Invested in Capital Assets	Invested in Art Collections	Unrestricted Net Assets	**Total 2011**	Total 2010
Balance, beginning of year	$ **13,739**	**$ -**	**$ 13,419**	**$ 27,158**	$ 17,866
Transfer of art collection from Pavilion Gallery Museum Inc. (Note 7)	**-**	**13,382,891**	**-**	**13,382,891**	-
Excess of revenue over expense	**-**	**-**	**3,616**	**3,616**	9,292
Amortization of deferred contributions related to capital assets	**1,016,143**	**-**	**(1,016,143)**	**-**	-
Amortization of capital assets	**(1,020,270)**	**-**	**1,020,270**	**-**	-
Balance, end of year	$ **9,612**	**$ 13,382,891**	**$ 21,162**	**$ 13,413,665**	$ 27,158

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENT OF CASH FLOWS

For the Year ended December 31

	2011	2010
OPERATING ACTIVITIES		
Excess of revenue over expense	**$ 3,616**	$ 9,292
Items not affecting cash:		
Amortization of capital assets	**1,020,270**	123,201
Amortization of deferred contributions	**(1,221,143)**	(119,074)
	(197,257)	13,419
Changes in non-cash operating working capital items:		
Accounts receivable	**1,252,101**	(1,249,699)
Inventory	**(18,236)**	(75,822)
Prepaid expenses	**(39,155)**	(47,319)
Accounts payable and accrued liabilities	**2,806,612**	3,157,288
Construction advance	**(1,760,704)**	1,432,250
Deferred contributions - operating	**656,861**	(910,832)
	2,700,222	2,319,285
FINANCING ACTIVITIES		
Deferred contributions - capital	**15,706,335**	13,697,978
Proceeds from notes payable	**2,900,000**	-
Change in employee benefits receivable	**52,045**	(608,167)
Change in accrued employee benefits	**(52,045)**	377,000
	18,606,335	13,466,811
INVESTING ACTIVITY		
Acquisition of capital assets	**(21,015,529)**	(11,839,447)
NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS	**291,028**	3,946,649
CASH AND SHORT-TERM INVESTMENTS, beginning of year	**5,324,278**	1,377,629
CASH AND SHORT-TERM INVESTMENTS, end of year	**$ 5,615,306**	$ 5,324,278

ASSINIBOINE PARK CONSERVANCY INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. *Description of Assiniboine Park Conservancy Inc. ("The Conservancy")*

On July 16, 2006 Winnipeg City Council adopted a new governance model for Assiniboine Park ("the Park"), which called for the establishment of a not-for-profit entity to oversee the operation and development of the Park for the benefit of the community. Under the new governance model, Assiniboine Park Conservancy Inc. was created on April 17, 2008 with an independent Board of Directors, appointed with representation from all three levels of government and the private sector, to govern at arm's length from the City.

Through a fifty year Lease and Funding Agreement with the Conservancy, which came into effect on October 1, 2010, the City retains ownership of the Park and all of its assets. Under this agreement, the City provides an annual grant to support the operation and maintenance of the Park and is committed to a 25% share of the cost of major capital redevelopment of Park attractions and amenities. It is intended that the Province of Manitoba, the federal government and the private sector will also be partners in the redevelopment over the next 10 to 15 years.

On October 1, 2010, City of Winnipeg staff employed in the Assiniboine Park Zoo ("Zoo") and the Conservatory became employees of the Conservancy. Details of the funding arrangements and other balances and transactions with the City of Winnipeg are described in more detail in Note 12.

During the year the Conservancy signed Asset Transfer Agreements with the following not-for-profit organizations: Zoological Society of Manitoba ("ZSM"), Partners in the Park Inc. ("PIP"), Pavilion Gallery Museum Inc. ("PGM"), Leo Mol Garden, Inc. ("LMG"), and the Assiniboine Park Bandshell Inc. ("APB"). Further information describing the impact of these agreements on the financial statements is included in Notes 6, 7, 9, 10, 11, 13 and 14.

The Conservancy became a registered charity under the Income Tax Act on January 1, 2009 and is exempt from income taxes.

2. *Future Changes in Accounting Policies*

In December 2010, the Canadian Institute of Chartered Accountants ("CICA") issued a new accounting framework applicable to not-for-profit organizations in the private sector. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations in the private sector will have to choose between International Financial Reporting Standards and Accounting Standards for Not-for-Profit Organizations, whichever suits them best.

The Conservancy will adopt the new accounting standards for Not-for-Profit Organizations for its fiscal year beginning on January 1, 2012. The impact of this transition has not yet been determined.

3. *Significant Accounting Policies*

The Conservancy has elected to use the exemption, provided by the CICA, permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Conservancy for the year ended December 31, 2011. The Conservancy applies the requirements of Section 3861 of the CICA Handbook.

3. *Significant Accounting Policies (continued)*

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 Conservancy follows the deferral method of accounting for revenues. Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted revenues are recognized in accordance with the restrictions placed on them by the funder.

Unrestricted gifts are recognized as revenue in the period in which the gifts are received. Gifts that are restricted by the donor are deferred, and then recognized in the year in which the related restriction is met.

Pledges receivable from donors have not been recognized in these financial statements.

Park revenues, which include revenues from zoo admissions, food, beverage and retail sales, education programming, hosting of private functions and public fundraisers, are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collection is reasonably assured.

b) Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at their fair value at the date of contribution. Amortization is recorded on a straight-line basis over the assets estimated useful life as follows:

Park facility improvements	10 - 40 years
Grounds improvements	5 - 20 years
Park equipment and systems	5 - 20 years
Moving equipment	5 - 15 years

Park facility improvements include new buildings and exhibits, and major improvements to existing buildings and exhibits in the Park. Grounds improvements include major improvements to roadways, parking lots, landscaping, lighting, pathways and signage. Park equipment and systems include information technology, security and safety systems, temporary structures, computer equipment, office furniture and fixtures, playground equipment, benches, picnic tables and other Park equipment, retail equipment and minor improvements to existing buildings. Moving equipment includes grounds maintenance and sanitation equipment, the Park vehicle fleet and people movers.

Construction in progress includes the costs associated with the construction of new Park facilities, grounds improvements and major upgrades to existing facilities within the Park. Amortization of these assets will commence when the asset is determined to be ready for use or put into service.

c) Art collections

Art collections gifted to the Conservancy are recorded at their appraised fair market values at the date of the gift. Art collections that are purchased by the Conservancy are recorded at the cost of the purchase. The art collections are capitalized on the balance sheet and no amortization is recorded.

The Conservancy is precluded from selling the art in the collections. Should artwork be damaged or stolen, the proceeds of an insurance claim would either be used to restore the artwork, to acquire new pieces of art for the collection or for the direct care of the remaining collection.

3. Significant Accounting Policies (continued)

d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Conservancy's designation of such instruments. The fair value of cash and short-term investments, accounts receivable, construction advance receivable, accounts payable and accrued liabilities, notes payable and construction advance payable approximate their carrying value due to their short term to maturity.

<u>Classification</u>

Cash and short-term investments	Held for trading
Accounts receivable	Loans and receivables
Construction advance receivable	Loans and receivables
Employee benefits receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Notes payable	Other liabilities
Construction advance payable	Other liabilities
Accrued employee benefits	Other liabilities

<u>Held for trading</u>

Held for trading financial assets are measured at fair value at the balance sheet date. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in interest income.

<u>Loans and receivables</u>

Loans and receivables are accounted for at amortized cost using the effective interest method.

<u>Other liabilities</u>

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities.

e) Use of estimates

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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are the determination of the useful lives of the capital assets and the amount of the employee benefits receivable and accrued employee benefits. Actual results could differ from these estimates.

4. Cash and Short-Term Investments

Cash and short-term investments consist of cash on hand and balances with banks. Included in cash and short-term investments is restricted cash held in a joint bank account with a construction company for the payment of holdbacks in the amount of $523,912 (2010, $nil).

5. Construction Advance Receivable/Payable

The Province of Manitoba has committed $31 million to assist in funding the construction of the new International Polar Bear Conservation Centre ("IPBCC") and Polar Bear Facilities which will include the Gateway to the Arctic Building, the Polar Bear Animal Holding and Filtration System Building and the Polar Plunge, all of which will be part of Assiniboine Park Zoo's new exhibit called the Journey to Churchill. Under a construction management agreement which is in the final stages of completion between the Conservancy and the Province, the Conservancy is acting as the construction manager for the IPBCC and the Polar Bear Facilities which, when completed, will become Provincially owned buildings.

As at December 31, 2011, the Province advanced the Conservancy $6,074,110 (2010, $2,300,000) to fund the construction of the IPBCC and the Polar Bear Facilities. As at December 31, 2011 $6,402,564 (2010, $867,750) in costs were incurred on behalf of the Province, resulting in a construction advance receivable of $328,454 (2010, payable of $1,432,250).

The Conservancy and the Province are also negotiating a long-term Ground Sublease Agreement which will result in the Province subleasing the land on which the IPBCC and the Polar Bear Facilities will be located upon within the Park. A third agreement, which will give the Conservancy responsibility for operating these buildings, is also being negotiated. Under the Operations Agreement, the Province will provide future capital funding for required capital repairs and replacements to the IPBCC and the Polar Bear Facilities to ensure that it continues to meet the standards of the Province over the term of the Ground Sublease Agreement. In a fourth agreement, the Province will assume the responsibility of providing insurance for the IPBCC and the Polar Bear Facilities.

6. Capital Assets

	2011			2010
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Park facility improvements	**$ 11,902,193**	**$ 297,791**	**$ 11,604,402**	$ -
Grounds improvements	**6,410,629**	**275,981**	**6,134,648**	32,882
Park equipment and systems	**4,939,519**	**544,859**	**4,394,660**	1,186,116
Moving equipment	**510,751**	**27,608**	**483,143**	1,545
Construction in progress	**12,045,744**	**-**	**12,045,744**	10,877,891
	$ 35,808,836	**$ 1,146,239**	**$ 34,662,597**	$ 12,098,434

Capital assets include assets contributed to the Conservancy by APB and PGM on January 1, 2011, pursuant to the Asset Transfer Agreements between the entities. The Lyric Theatre and major upgrades to the Pavilion were transferred in and recorded under Park facility improvements at a value of $2,530,935. Other assets contributed and recorded under Park equipment and systems and moving equipment were signage, fixtures, plaques and framed art prints totaling $28,564 and two golf carts at $8,595.

Included in construction in progress is capitalized interest of $64,399 (2010, $nil).

7. Art Collections

The art collections include approximately 4,066 works of art held for public exhibition and education. The art collections include the works of Ivan Eyre, Walter J. Phillips, Clarence Tillenius, E.H. Sheppards' portrait of Winnie the Pooh and A.A. Milne's book, titled "Now We are Six".

On January 1, 2011, the works of art were gifted to the Conservancy by PGM at a value of $13,532,891. This value is comprised of works of art purchased by PGM at a cost of $1,400,722 and works of art gifted to PGM and valued by an independent appraiser at the time the gift was made totaling $12,132,169. In addition to the art collections, the Conservancy assumed responsibility for the repayment of a private loan of $150,000 owing by PGM relating to these works of art (Note 10).

The Conservancy did not purchase any works of art, was not the recipient of any gifted art collections, other than those gifted by PGM, and did not dispose of any works of art during the year ending December 31, 2011.

8. Employee Benefits Receivable and Accrued Employee Benefits

On October 1, 2010 members of CUPE 500 and WAPSO who were previously employed by the City of Winnipeg in Assiniboine Park Zoo and the Conservatory transferred to the employ of the Conservancy. Under the Lease and Funding Agreement between the Conservancy and the City, the City is responsible for funding all labour costs associated with this complement of staff. Accordingly, included in the employee benefits receivable is an amount due from the City of Winnipeg of $231,167 (2010, $231,167) which represents the vacation pay earned by CUPE 500 and WAPSO employees while they were employed by the City of Winnipeg to September 30, 2010.

Under the collective agreements with these bargaining groups, employees are also entitled to certain employee benefit payouts on retirement, which will be honored by the Conservancy at a future date when these employees retire. Included in the employee benefits receivable is an amount of $324,955 (2010, $377,000), which represents the amount due from the City of Winnipeg to fund a sick pay severance liability payable to these employees as of September 30, 2010. Also recorded is the corresponding long-term liability to these employees which will be paid out to them upon retirement. It is expected that these payouts to employees will occur in 2013 and thereafter, and therefore the receivable and liability are both recorded as long-term.

9. Deferred Contributions - Operating

The balance in deferred contributions - operating at December 31, 2011 represents $412,563 of cash gifted to the ZSM, LMG and PIP in previous years and transferred to the Conservancy in 2011. This cash is to be used to fund various operations of the Conservancy. Additionally, $40,000 (2010, $15,716) of restricted funding was provided to the Conservancy by various sponsors and is being deferred to offset future programming expenses. These cash amounts are expected to be used in 2012 and have therefore been classified as current in nature.

The balance also includes $316,063 of cash transferred from LMG that is to be used specifically in maintaining the Leo Mol Sculpture Garden. The Conservancy does not anticipate having to use any of this cash in 2012 and therefore this amount has been classified as long-term in nature.

The balance in deferred contributions - operating at December 31, 2010 includes operating funding of $75,768 received from the City of Winnipeg that was carried forward and applied against expenses incurred in 2011 and a gift in kind relating to insurance of $20,281.

10. *Notes Payable*

During the year, the Province of Manitoba advanced the Conservancy $2,900,000 in bridge financing for the completion of the International Polar Bear Conservation Centre. The advance is secured by a $2,900,000 promissory bearing interest at prime plus .25%, compounded monthly, with no monthly repayments. The note is repayable on demand on or before December 31, 2013 and is therefore classified on the balance sheet as a current liability. The note payable, together with interest accrued thereon, will be repaid by its due date through the collection of pledges from donors.

On January 1, 2011, in conjunction with the gifting of the art collections by PGM, the Conservancy assumed responsibility for the repayment of a private loan. As at December 31, 2011, the balance owing on this loan is $150,000, with principal payments of $6,250 due monthly over the next 24 months. This loan is secured by a promissory note and is interest free.

Expected principal repayments over the next two years on the two notes are as follows:

2012	$	75,000
2013		2,975,000

11. *Deferred Contributions - Capital*

During the year, the Conservancy received contributions totaling $15,706,335 (2010, $13,697,978) related to designated projects. The restricted contributions are deferred and recognized as revenue on the same basis as the amortization expense related to the designated projects.

The changes in the deferred contributions balance are as follows:

		2011		2010
Balance, beginning of year	**$**	**14,287,677**	$	708,773
Contributions received (Note 12)		**15,706,335**		13,697,978
Contributions transferred from other Park entities		**2,568,904**		-
Amortization of deferred contributions		**(1,221,143)**		(119,074)
Balance, end of year	**$**	**31,341,773**	$	14,287,677

Pledges made by donors are not recognized as contributions until received from the donor in cash or in kind.

12. *City of Winnipeg*

The City of Winnipeg ("the City") is a significant operating partner of the Conservancy, providing the majority of its operating funding in 2011 through an annual operating grant. The City has also committed to providing a 25% investment in the capital redevelopment of Assiniboine Park, as described in Note 1, and provides an annual capital grant for the capital refurbishment of existing buildings, exhibits and amenities in the Park.

On October 1, 2010, City of Winnipeg staff employed in the Assiniboine Park Zoo (the "Zoo") and the Conservatory became employees of the Conservancy and funding for their associated salaries and benefits was transferred to the Conservancy from the City. The Conservancy assumed responsibility for all Zoo and Conservatory operations in 2011.

On January 1, 2011, under service level agreements with Public Works and Municipal Accommodations, the Conservancy contracted with the City for grounds keeping, snow removal, custodial and maintenance services. Costs associated with these service level agreements are reflected in wages, benefits and contract services on the Statement of Operations. On December 31, 2011 these service level agreements ended and the Conservancy assumed responsibility for all aspects of Park operations through its own work force.

12. *City of Winnipeg (continued)*

A summary of the City of Winnipeg account balances and transactions as at and for the year ending December 31, 2011 are noted below.

City of Winnipeg balances

As described in Note 8, as at December 31, 2011, the Conservancy has a long-term receivable of $556,122 (2010, $608,167) from the City relating to employee benefits for CUPE 500 and WAPSO staff who were previously employed by the City.

Included in capital assets at December 31, 2011, are amounts capitalized of $248,254 (2010, $208,413) relating to grounds improvements, computers, benches, picnic tables and safety equipment purchased from the City and work performed on small capital projects by City of Winnipeg employees, through its service level agreements with the Conservancy.

Included in accounts payable and accrued liabilities at December 31, 2011, are amounts due to the City of $319,148 (2010, $1,130).

City of Winnipeg transactions

During the year, the Conservancy recognized funding received from the City of Winnipeg into operating revenue as follows:

	2011	2010
2011 funding recognized	**$ 10,742,055**	$ -
2010 funding recognized	**75,768**	3,057,732
2009 funding recognized	**-**	22,597
Transfer from City reserves	**148,590**	-
Gifts in kind (Note 16)	**20,281**	40,563
Salary and benefit cost recoveries	**-**	1,334,284
	$ 10,986,694	$ 4,455,176

Additionally, during the year, the Conservancy received capital contributions of $10,423,000 (2010, $7,972,000) from the City of Winnipeg. These amounts have been included as deferred contributions - capital, on the balance sheet, and are recognized into revenues consistent with the amount of amortization calculated on the capital assets that the funding was used to acquire.

Included in direct costs of park revenues are advertising costs paid to the City of $14,503 (2010, $941).

Included in administration expense are licenses, land lease and human resource costs paid to the City of $3,687 (2010, $8,362). Included in operations expense are water and waste, horticulture, maintenance and fleet costs paid to the City of $192,681 (2010, $3,743). Included in utilities expense are water costs paid to the City of $289,766 (2010, $nil). Included in wages, benefits and contract services are contract services under service level agreements with Public Works and Municipal Accommodations of $1,547,162 (2010, $nil).

13. Gifts From Other Park Entities

Effective August 1, 2010, the ZSM, a not-for-profit organization operating in the Park, transferred its gift shop, cafe and education programming operation to the Conservancy. In December 2011, the Asset Transfer Agreement between the two parties was signed, which resulted in the formal transfer of the ZSM's cash and short-term investments, capital assets and related deferred contributions and endowments. Included in gifts and sponsorships revenue is a transfer of the ZSM's unrestricted net assets as of January 1, 2011 of $296,664.

Effective January 1, 2011, PIP, APB, PGM and LMB, a not-for-profit group of companies operating in the Park, transferred its operations to the Conservancy. In December 2011, Asset Transfer Agreements between the Conservancy and each of these parties were signed, which resulted in a formal transfer of cash and short-term investments, capital assets and related deferred contributions, art collections and endowments. Included in gifts and sponsorships revenue is a transfer of the group's unrestricted net assets as of January 1, 2011 of $212,591.

14. Endowments Held by the Winnipeg Foundation

The Conservancy is the beneficiary of three endowment funds, held and controlled by the Winnipeg Foundation, as of December 31, 2011. The Winnipeg Foundation retains title to the investments and receives a management fee not to exceed one-half percent of the opening market value of the contributed capital in the Funds at October 1 each year. The Conservancy receives an annual income distribution based on the Foundation's income distribution policy, net of the management fee and investment fees.

On January 1, 2011, APB transferred its endowment funds, The Lyric Program Fund and the Assiniboine Park Bandshell Inc. Fund held by the Winnipeg Foundation, to the Conservancy. The purpose of these Funds is to provide income to support the operation and ongoing maintenance of the Lyric Theatre. The market value of The Lyric Program Fund and Assiniboine Park Bandshell Inc. Fund, at the time of the transfer, was $68,512 and $220,845 respectively. The market value of The Lyric Program Fund and Assiniboine Park Bandshell Inc. Fund, at December 31, 2011 was $63,712 and $209,231.

In December 2011, the ZSM transferred its endowment fund, The Assiniboine Park Zoo Endowment Fund held by the Winnipeg Foundation, to the Conservancy. The purpose of this fund is to provide income to support the operation and on-going maintenance of Assiniboine Park Zoo. The market value of The Assiniboine Park Zoo Endowment Fund, at December 31, 2011, was $15,620.

During the year, the Winnipeg Foundation distributed $9,698 in income to the Conservancy for these Funds.

15. Capital Management

The objective of the Board of Directors of Assiniboine Park Conservancy Inc., when managing capital, is to safeguard the ability of the Conservancy to continue as a going concern. The Board of Directors considers capital management in two components: First, for the Conservancy's capital activities, capital is raised through government contributions and private sector fundraising. Authorization of capital projects is provided as funding for each redevelopment project is confirmed. Second, for the Conservancy's operating activities, the Board seeks to operate with a modest surplus annually so that sufficient net assets are retained to manage the risk inherent in the Conservancy's expanding operations. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. There have been no significant changes to the Board's capital management policy in the past year.

16. Non-Monetary Transactions

During the year, the Conservancy received insurance coverage of $20,281 (2010, $40,563), advertising and other costs of Boo at the Zoo of $45,838 (2010, $13,318), inventory of $nil (2010, $99,513) and other amounts of $37,434 (2010, $10,381) without consideration. The Conservancy also received goods and services without consideration which were capitalized as capital assets of $49,605 (2010, $nil).

The transactions were recorded at the fair value of the goods or services received.

17. Commitments

The Conservancy has numerous capital contractual agreements with companies to construct the IPBCC, the Polar Bear Facilities, Journey to Churchill exhibitry and interpretation and other ongoing capital projects at the Park. Total contract values committed to under signed agreements as at December 31, 2011, is $18,065,000. These amounts are to be paid over the construction period of the projects expected to be ready for use in future years.

18. Subsequent Event

Subsequent to year end the Conservancy signed a commitment letter with a financial institution for a $17 million loan facility for the purpose of bridge financing for the construction of the Journey to Churchill. The loan will be drawn upon to finance construction costs to substantial completion of the Journey to Churchill, which will be on or before March 31, 2014. The demand loan will be secured with a guarantee signed by the City of Winnipeg and will be repayable in full by December 31, 2016. Interest on the loan will be at prime and principal repayments will be made as pledges are collected from donors.

19. Comparative Figures

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

Other Detailed Financial Statements | 2011

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 2011 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported a net loss of $192,000 for the year ended December 31, 2011 and a balance of deficit in the amount of $2,227,000 as at December 31, 2011.

The rates of interest earned by the Fund for the years 2002 to 2011 are shown below:

2002................….6.61%	2007.......…....……5.46%
2003..........…....…6.02%	2008...............……5.15%
2004...............….6.27%	2009....….....…....…4.39%
2005.................…5.55%	2010.......…………3.81%
2006...............….5.41%	2011............…..…3.41%

Changes in the sinking fund reserve during 2011 are summarized as follows. The total reserve for retirement of debenture debt increased to $349,382,000 as at December 31, 2011 (2010 - $329,561,000) of which $117,000,000 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,

E. STEFANSON Chairman

J. L. FERRIER Trustee

N. THEODOROU Trustee

G. STESKI Trustee

L. DERRY Secretary

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF FINANCIAL POSITION

As at December 31, 2011, December 31, 2010 and January 1, 2010
(in thousands of dollars)

	December 31 2011	December 31 2010	January 1 2010
ASSETS			
Investment in bonds and debentures (Schedule 1)	**$ 342,539**	$ 297,048	$ 303,293
Call loans - City of Winnipeg	**-**	29,209	6,482
Accrued interest receivable	**4,822**	3,945	3,886
Cash	**2,497**	7	6
	$ 349,858	$ 330,209	$ 313,667
LIABILITIES, RESERVE AND SURPLUS			
Accrued interest payable (Note 4)	**$ 2,688**	$ 2,666	$ 2,666
Accrued liabilities	**15**	17	16
	2,703	2,683	2,682
Reserve for retirement of debenture debt (Note 5)	**349,382**	329,561	310,683
(Deficit) Surplus (Note 9)	**(2,227)**	(2,035)	302
	$ 349,858	$ 330,209	$ 313,667

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF LOSS

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

	2011	2010
Interest income (Schedule 2)	**$ 15,704**	$ 15,835
Interest requirements - debenture debt reserves	**(10,960)**	(10,017)
Interest requirements - Manitoba Hydro bonds (Note 8)	**(8,044)**	(8,023)
Deficit of interest earned under requirements	**(3,300)**	(2,205)
Net gain on disposal of investments	**3,230**	-
	(70)	(2,205)
Administration expenses	**122**	132
Net loss for the year	**$ (192)**	$ (2,337)

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF DEFICIT

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

	2011	2010
Balance, beginning of year	**$ (2,035)**	$ 302
Less:		
Net loss for the year	**(192)**	(2,337)
Balance, end of year (Note 9)	**$ (2,227)**	$ (2,035)

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)

	2011	2010
Balance, beginning of year	**$ 329,561**	$ 310,683
Add:		
Installments - City of Winnipeg (Note 8)	**8,861**	8,861
Interest credited - debenture debt reserves	**10,960**	10,017
Balance, end of year	**$ 349,382**	$ 329,561

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF CASH FLOWS

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

	2011	2010
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss	**$ (192)**	$ (2,337)
Income accrued - bond residues and coupons	**(256)**	(264)
Net bond premium amortization	**1,448**	441
Interest requirements - debenture debt reserves	**10,960**	10,017
Net gain on disposal of investments	**(3,230)**	-
Change in non-cash operating accounts	**(858)**	(57)
	7,872	7,800
FINANCING ACTIVITIES		
Installments - City of Winnipeg (Note 8)	**8,861**	8,861
INVESTING ACTIVITIES		
Acquisition of investments in bonds and debentures	**(134,082)**	(37,694)
Proceeds from bond and debenture sales	**77,719**	-
Proceeds from bond and debenture maturities	**12,911**	43,761
	(43,452)	6,067
(Decrease) Increase in cash and call loans	**(26,719)**	22,728
Cash and call loans, beginning of period	**29,216**	6,488
Cash and call loans, end of period	**$ 2,497**	$ 29,216
Cash and call loans consists of:		
Cash	**$ 2,497**	$ 7
Call loans	**-**	29,209
	$ 2,497	$ 29,216

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, 2011
(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 Accounting Standards for Private Enterprises and CICA Handbook Section 1500 - First Time Adoption has been applied. An explanation of the Fund's transition to Canadian Accounting Standards for Private Enterprises is provided in Note 7. The significant accounting policies are summarized as follows:

a) 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.

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 on the investment.

For these bonds and debentures, which are measured at amortized cost, the Fund recognizes in net income an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net income in the period the reversal occurs.

b) Use of estimates

Financial statements prepared in accordance with Canadian Accounting Standards for Private Enterprises 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. The valuation of investments is the most significant component of the financial statements subject to estimates. Actual results could differ from these estimates.

3. 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, 2011 was 3.41% (2010 - 3.81%).

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2011 are as follows:

	2011		2010	
Term To Maturity	**Par Value**	**Book Value**	Par Value	Book Value
Less than one year	$ 26,085	$ 26,553	$ 18,868	$ 18,942
Two to five years	217,820	220,609	178,409	178,812
Greater than five years	94,526	95,377	99,309	99,294
	$ 338,431	$ 342,539	$ 296,586	$ 297,048

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, 2011 the Fund's maximum credit risk exposure at fair market value was $356,395 (2010 - $340,378).

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits (rated A or higher) and by utilizing an internal Investment Policy Guideline monitoring process.

4. 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, 2011 amounted to $117,000 (2010 - $117,000).

4. Purchase of Winnipeg Hydro by Manitoba Hydro (continued)

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.

Accrued interest receivable and identical offsetting accrued interest payable on the Manitoba Hydro bonds amounted to $2,688 at December 31, 2011 (2010 - $2,666).

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.

5. Reserve for Retirement of Debenture Debt

As at December 31, 2011 the reserve for retirement of debenture debt is allocated towards Sinking Fund debentures as follows:

Maturity Year	Amortized Cost: Hydro Portion	Amortized Cost: Other Purposes	Amortized Cost: Total	Maturity Value
2013	$ 10,000	$ 79,960	$ 89,960	$ 100,000
2014	15,000	69,565	84,565	100,000
2015	12,000	64,970	76,970	100,000
2017	20,000	17,887	37,887	50,000
2029	60,000	-	60,000	60,000
	$ 117,000	$ 232,382	$ 349,382	$ 410,000

The amortized cost of the reserve for retirement of debenture debt is calculated using an assumed annual discount rate of 5% which was set by The City of Winnipeg in the applicable Sinking Fund Debenture By-laws.

As at December 31, 2011, the reserve for retirement of debenture debt includes $117,000 (2010 - $117,000) 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.

6. Capital

The Fund's objectives when managing capital are:

a) To pay The City of Winnipeg at or before the maturity of each respective sinking fund debenture all amounts collected by way of levy together with interest earned thereon.

b) To invest all levies received in accordance with the guidelines outlined in the Fund's Statement of Investment Policies & Procedures in order to maximize the investment return on the Fund within the allowable level of risk mandated by The City of Winnipeg Act.

The fund invests in securities with maturities which closely match the current sinking fund debenture maturity dates.

7. *Transition to Canadian Accounting Standards for Private Enterprises*

These are the Fund's first financial statements prepared in accordance with Canadian Accounting Standards for Private Enterprises.

The significant accounting policies in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening Canadian Accounting Standards for Private Enterprises statement of financial position at January 1, 2010, the Fund's date of transition.

In preparing its opening Canadian Accounting Standards for Private Enterprises statement of financial position, there were no adjustments required to amounts previously reported in the Fund's financial statements prepared in accordance with Canadian generally accepted accounting principles. Consequently, the transition to Canadian Accounting Standards for Private Enterprises has no effect on the Fund's financial position, financial performance and cash flows.

8. *Related Party Transactions*

The Sinking Fund and The City of Winnipeg entered into an Investment Management Agreement on April 1, 2011, whereby the City of Winnipeg provides investment management and administrative services to the Fund for an annual management fee. The Fund is the managed party under the Investment Management Agreement.

The Fund purchased $17,121 Par Value City of Winnipeg 9.375% debentures due February 11, 2013 at a price of $111.12 and effective yield of 1.47% on September 1, 2011; and $204 Par Value City of Winnipeg 6.25% debentures due November 17, 2017 at a price of $119.64 and effective yield of 2.44% on October 25, 2011. These purchases were in the normal course of operations for the Fund and were at fair value.

In addition, for the year ended December 31, 2011, the Fund and the City of Winnipeg entered into the following transactions which were all in the normal course of operations for the Fund:

The City of Winnipeg paid $8,861 (2010 - $8,861) in levies to the Fund at the amounts prescribed by the applicable Sinking Fund debenture By-laws.

The City of Winnipeg paid $129 (2010 - $123) of coupon interest to the Fund on City of Winnipeg debentures held by the Fund. The coupon interest payments were at fair value.

The Fund paid $8,044 (2010 - $8,023) of Manitoba Hydro Electric Board bond coupon interest to the City of Winnipeg. These coupon interest payments were at the amount prescribed by The Purchase of Winnipeg Hydro Act.

The Fund paid investment management fees of $75 (2010 - $nil) to the City of Winnipeg as required under the Investment Management Agreement.

9. *Sinking Fund Deficit*

The Fund will pay to the City of Winnipeg the amount of levies actually received by the Fund together with accumulated interest in respect thereof. In the event of a Sinking Fund deficit at the maturity of a Sinking Fund issue, The City of Winnipeg Charter, Section 304(2), authorizes The City of Winnipeg, if it so chooses, to apply to the Minister of Finance to borrow an amount of money sufficient to discharge the Sinking Fund debt in full.

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

Schedule 1

SCHEDULE OF INVESTMENTS

As at December 31, 2011, December 31, 2010 and January 1, 2010
(in thousands of dollars)

	December 31 2011					December 31 2010		January 1 2010	
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Book Value	%	Book Value	%
Investment in bonds and debentures									
Government of Canada and Government of Canada guaranteed	**$ 5,358**	**$ 5,870**	**2**	**$ 5,761**	**2**	$ 2,886	1	$ 5,000	1
Provincial and Provincial guaranteed (Notes 4 and 5)	**261,562**	**223,719**	**64**	**218,660**	**64**	215,401	73	216,731	72
Municipal	**72,289**	**76,726**	**22**	**73,351**	**21**	67,246	23	52,079	18
City of Winnipeg	**19,825**	**21,461**	**6**	**21,307**	**6**	4,470	1	6,461	2
Supranationals	**-**	**-**	**-**	**-**	**-**	7,045	2	7,056	2
	$ 359,034	**327,776**	**94**	**319,079**	**93**	297,048	100	287,327	95
Bond residues and coupons									
Government of Canada		**-**	**-**	**-**	**-**	-	-	15,966	5
Provincial		**23,800**	**6**	**23,460**	**7**	-	-	-	-
		$ 351,576	**100**	**$ 342,539**	**100**	$ 297,048	100	$ 303,293	100

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)

	2011	2010
Interest on bonds and debentures	**$ 16,711**	$ 15,833
Income accrued - bond residues and coupons	**256**	264
Short - term investments interest	**156**	158
Securities lending income	**29**	21
Net bond (premium) discount amortization	**(1,448)**	(441)
	$ 15,704	$ 15,835

THE CITY OF WINNIPEG
SINKING FUND

STATEMENT OF FINANCIAL POSITION

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

		2011		2010
ASSETS				
Investment in bonds and debentures (Schedule 1)	**$**	**12,227**	$	7,936
Accrued interest receivable		**164**		116
Call loans - General Revenue Fund (Note 3)		**86**		194
	$	**12,477**	$	8,246
RESERVE				
Reserve for retirement of debenture debt	**$**	**12,477**	$	8,246

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

	2011	2010
Balance, beginning of year	**$ 8,246**	$ 5,091
Add:		
Installments - Waterworks System	**2,836**	2,836
Installments - Transit System	**927**	-
Interest income (Schedule 2)	**500**	337
	12,509	8,264
Deduct:		
Transfer to General Revenue Fund - investment management fees	**32**	18
Balance, end of year	**$ 12,477**	$ 8,246

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SINKING FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

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 in accordance with the significant accounting policies summarized as follows:

a) Bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

b) Bond residues and coupons

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

3. *Call Loans - General Revenue Fund*

Call loans represent short-term investments held by the General Revenue Fund which are callable by The City of Winnipeg Sinking Fund ("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, 2011 was 3.8% (2010 - 4.8%).

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, 2011 are as follows:

Term To Maturity	**Par Value**	**Book Value**
Greater than five years	$ 11,953	$ 12,227

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, 2011 the Fund's maximum credit risk exposure at fair market value was $14,775 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 INVESTMENTS

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

	2011					**2010**	
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Book Value	%
Investment in bonds and debentures							
Provincial and Provincial guaranteed	**$ 872**	**$ 1,190**	**8**	**$ 956**	**8**	$ 958	12
City of Winnipeg	**6,081**	**7,352**	**51**	**5,929**	**48**	4,897	62
Other Municipalities	**5,000**	**5,983**	**41**	**5,342**	**44**	2,081	26
	$ 11,953	**$ 14,525**	**100**	**$ 12,227**	**100**	$ 7,936	100

THE CITY OF WINNIPEG
SINKING FUND

Schedule 2

SCHEDULE OF INTEREST INCOME

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

	2011	2010
Interest on bonds and debentures	**$ 494**	$ 336
Call fund interest	**6**	1
	$ 500	$ 337

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash	**$ 334,933**	$ 803,125
Restricted cash (Note 19)	**48,317**	704,965
Investments - held for trading (Notes 2, 3, 4)	**12,890,598**	13,668,807
Accounts receivable	**846,284**	637,034
Investment in property development (Note 3)	**1,400,000**	1,400,000
Inventory (Note 2)	**6,038**	7,616
Prepaid expenses	**351,460**	386,749
Current portion of loans receivable (Note 5)	**-**	10,022
	15,877,630	17,618,318
LOANS RECEIVABLE (Notes 5, 19)	**-**	281,876
CAPITAL ASSETS (Notes 2, 6)	**21,336,652**	21,813,327
INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS (Note 8)	**54,670,877**	55,680,546
DEFERRED CHARGES (Note 2)	**112,500**	162,500
	$ 91,997,659	$ 95,556,567

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2011

	2011	2010
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 19)	**$ 1,422,209**	$ 2,563,291
Security deposits received	**56,452**	56,342
Deferred income	**195,096**	166,540
Current portion of long term debt (Note 12)	**304,453**	287,786
Current portion of obligations under capital lease (Note 13)	**152,821**	203,143
Current portion of tenant inducement payable (Note 18)	**7,138**	-
Loan payable (Note 1)	**1,711,636**	1,711,636
	3,849,805	4,988,738
LONG TERM DEBT (Note 12)	**12,075,350**	12,379,803
OBLIGATIONS UNDER CAPITAL LEASE (Notes 2, 13)	**380,302**	533,634
AMOUNTS HELD IN TRUST (Note 17)	**20,000**	-
DEFERRED CONTRIBUTIONS (Notes 1, 2)	**17,044,184**	18,996,077
PREPAID LAND RENTS (Note 2)	**725,304**	733,391
TENANT INDUCEMENT PAYABLE (Note 18)	**26,734**	-
	34,121,679	37,631,643
NET ASSETS		
Share capital (Note 14)	**3**	3
Donated land equity (Notes 2, 11)	**8,000,000**	8,000,000
Contributed surplus (Note 1)	**39,310,266**	39,310,266
Net assets	**10,565,711**	10,614,655
	57,875,980	57,924,924
	$ 91,997,659	$ 95,556,567

CONTINGENT LIABILITY (Note 16)

COMMITMENTS (Note 17)

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS

Year ended March 31, 2011

	2011	2010
REVENUE		
Parking	**$ 5,088,415**	$ 4,748,855
The Forks Market	**1,832,315**	1,784,365
Lease and land rents	**1,298,369**	1,296,356
IMAX Theatre	**1,111,895**	973,238
Interest income	**499,710**	529,204
Rental	**380,447**	364,267
Sponsorship	**532,827**	369,898
Forks Site recoveries	**255,655**	253,493
Events	**107,061**	82,119
Miscellaneous	**57,930**	65,517
	11,164,624	10,467,312
EXPENDITURES		
General and administration	**1,238,931**	1,230,811
Interest on long term debt	**706,141**	721,540
Investment fees	**100,872**	106,775
Marketing	**462,392**	490,446
Parking	**2,386,181**	1,887,332
Planning and development	**315,275**	253,268
Programs and events	**473,215**	423,486
Forks Site	**1,202,948**	1,093,219
Rental	**232,747**	232,043
Sponsorship	**91,883**	74,314
The Forks Market	**1,607,460**	1,668,652
IMAX Theatre	**1,264,293**	1,181,567
	10,082,338	9,363,453
INCOME FROM OPERATIONS	**1,082,286**	1,103,859
OTHER INCOME (EXPENSES)		
Adjustments due to reclassification of loan receivable (Note 3)	**-**	(51,409)
Expense recovery	**82,500**	214,068
Adjustment of loan receivable to fair market value	**(289,072)**	(30,803)
Amortization (Note 15)	**(766,660)**	(943,951)
Waddell Fountain contribution	**-**	(200,000)
Canadian Museum for Human Rights donation	**(250,000)**	(250,000)
Variety Adventure Playground donation	**(50,000)**	-
Unrealized and realized gains	**142,002**	754,185
	(1,131,230)	(507,910)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**(48,944)**	595,949
NET ASSETS - BEGINNING OF YEAR	**10,614,655**	10,018,706
NET ASSETS - END OF YEAR	**$ 10,565,711**	$ 10,614,655

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Cash receipts from tenants and customers	**$ 10,588,804**	$ 10,223,769
Cash paid to suppliers and employees	**(10,659,474)**	(9,207,645)
Interest received	**778,371**	529,204
Interest paid	**(1,081,185)**	(828,459)
Cash flow from (used by) operating activities	**(373,484)**	716,869
INVESTING ACTIVITIES		
Purchase of capital assets and investments in properties and infrastructure enhancements	**(1,275,988)**	(2,684,993)
Repayment of loan receivable	**22,701**	7,564
Investment in property development	**-**	(1,000,000)
Change in investments - held for trading	**943,865**	3,994,543
Cash flow from (used by) investing activities	**(309,422)**	317,114
FINANCING ACTIVITIES		
Proceeds from tenant inducement payable	**33,873**	-
Funds received in trust	**20,000**	-
Repayment of long term debt	**(287,785)**	(272,031)
Repayment of obligations under capital lease	**(208,022)**	(201,837)
Increase (decrease) in restricted cash	**656,648**	(704,965)
Cash flow from (used by) financing activities	**214,714**	(1,178,833)
DECREASE IN CASH FLOWS	**(468,192)**	(144,850)
CASH - BEGINNING OF YEAR	**803,125**	947,975
CASH - END OF YEAR	**$ 334,933**	$ 803,125

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2011

1. Description of Business

(a) Mission

The mission of The Forks North Portage Partnership is to act as a catalyst, encouraging activities for people in downtown through public and private partnerships and revitalization strategies; and to work to ensure financial self-sufficiency.

North Portage shall be a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, commercial and institutional, recreational, educational, and entertainment facilities.

The Forks shall be developed as a 'Meeting Place', a special and distinct, all season gathering and recreational place at the junction of the Red and Assiniboine Rivers, through a mixed use approach including recreational, historical and cultural, residential, and institutional and supportive commercial uses.

(b) Company Background

North Portage Development Corporation (the "Corporation" or "NPDC") was incorporated under the Corporations Act of Manitoba on December 13, 1983, and owns land and parking facilities in the North Portage area. NPDC is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg.

The Forks Renewal Corporation ("FRC"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on July 24, 1987 and owns land known as The Forks site and operates The Forks Market.

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 Plan for the North Portage site (1984), The Forks (1987) and the Concept & Financial Plan (2001), 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, was incorporated under the Corporations Act of Manitoba on May 27, 1986 and owns the IMAX Theatre at Portage Place.

3898211 Manitoba Ltd., a subsidiary of NPTC, was incorporated under the Corporations Act of Manitoba on September 16, 1998 and operates the IMAX Theatre at Portage Place.

FNP Parking Inc. (FNP), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on November 6, 2006 and operates various parking locations in downtown Winnipeg and at The Forks site.

The company is not subject to tax under provision 149(1)(d).

These financial statements have been prepared on the assumption that the Corporation is a going concern, will continue to operate for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of operations.

1. ***Description of Business (continued)***

(c) Funding

NPDC

NPDC has received its funding from the following sources:

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
	$ 71,000,000

The funding has been allocated as follows:

	2011	2010
Deferred contributions	**$ 10,748,677**	$ 11,565,241
Amortization of deferred contributions recognized in income	**21,486,751**	20,670,187
Contributed surplus	**37,052,933**	37,052,933
Applied to operations	**1,711,639**	1,711,639
	$ 71,000,000	$ 71,000,000

FRC

FRC has received its funding from the following sources:

	2011 (cumulative)	2010 (cumulative)
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.	**1,723,319**	1,706,819
CentreVenture Development Corporation	**510,696**	510,696
The Winnipeg Foundation	**150,000**	150,000
Energy Development Initiative	**25,000**	25,000
Department of Innovation	**50,000**	-
	$ 52,316,352	$ 52,249,852

1. Description of Business (continued)

The funding has been allocated as follows:

	2011 (cumulative)	2010 (cumulative)
Deferred contributions	**$ 6,295,507**	$ 7,430,836
Amortization of deferred contributions recognized into income	**28,036,004**	26,834,176
Contributed surplus	**2,257,333**	2,257,333
Applied to operations	**15,727,508**	15,727,507
	$ 52,316,352	$ 52,249,852

NPTC

NPTC has received its funding from the following sources:

	2011	2010
Repayable loan - Manitoba Development Corporation	**$ 1,800,000**	$ 1,800,000
Contributions from shareholders and other funders		
North Portage Development Corporation	**1,800,000**	1,800,000
Destination Manitoba and the Canada-Manitoba (1985) tourism development agreement	**3,900,000**	3,900,000
	$ 7,500,000	$ 7,500,000

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. Cumulative repayments to date have been $88,364.

At March 31, 2011, no demand had been made by Manitoba Development Corporation for the repayment of the loan.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized below:

<u>Measurement uncertainty</u>

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of capital assets. Actual results could differ from these estimates.

<u>Financial instruments</u>

The Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The Corporation's accounting policy for each category is as follows:

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

Assets held-for-trading

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in excess (deficiency) of revenue over expenses in the period during which the change occurs. Transaction costs are expensed when incurred.

In these financial statements, cash, restricted cash, investment in property development and investments held for trading have been classified as held-for-trading.

Available-for-sale investments

Financial instruments classified as available-for-sale are reported at fair value at each balance sheet date, and any change in fair value is recognized in net assets in the period in which the change occurs. All transactions related to marketable securities are recorded on a settlement date basis.

In these financial statements, no items have been classified as available-for-sale.

Held-to-maturity investments

Financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently carried at amortized cost, using the effective interest rate method. Transaction costs are included in the amount initially recognized.

In these financial statements, no items have been classified as held-to-maturity.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

In these financial statements accounts receivable and loans receivable have been classified as loans and receivables. Accounts payable and accrued liabilities, and long term debt have been classified as other financial liabilities.

Capital disclosures

The Corporation's capital consists of surplus, contributed surplus and donated land equity.

The Corporation's objective in managing capital is to safeguard its ability to continue as a going concern, in order to carry out its mission as described in Note 1.

The Corporation prepares a realistic budget each year, allocating expenses to revenue they expect to earn and funding it expects to receive for unrestricted operations.

An Investment policy is in place to guide the Corporation in the management of surplus funds. These guidelines ensure that capital is preserved, rates of return are maximized and funds are available as needed.

Restricted capital was segregated under the direction of the Shareholders and is disbursed towards projects approved by the Board of Directors. See note 5.

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

Consolidation policies

The consolidated financial statements include the financial statements of the Corporation and those of The Forks Renewal Corporation, FNP Parking Inc., and North Portage Theatre Corporation in which the Corporation holds a 100% interest.

Investments - held for trading

Investments in marketable securities are classified as held for trading and are stated at market values, unrealized gains and/or losses are recorded on the income statement.

Inventory

Inventory consists of food, beverage and theatre supplies and is valued at the lower of cost and net realizable value with the cost being determined on a weighted-average cost basis, with cost consisting of the purchase price and delivery costs of product.

Capital assets

Capital assets are recorded at cost. Depreciation 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	30% declining balance method
Parking improvements and equipment	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	10 years straight-line method
Theatre equipment	5-10 years straight-line method
The Forks site:	
Buildings	40 years straight-line method
Parking structure	40 years straight-line method
Roads and service	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

Assets not included in the preceding list have been fully amortized.

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

Capital assets acquired during the year, but not placed into use, are not amortized until they are placed into use.

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.

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. Leases which transfer substantially all the benefits and risk 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. Interest income is recognized when earned.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

2. Summary of Significant Accounting Policies (continued)

Future changes in significant accounting policies

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants ("CICA") but are not yet effective. The Corporation is currently evaluating the effect of adopting these standards on their financial statements.

In February 2008, the CICA Accounting Standards board (AcSB) confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Corporation's reported financial position and results of operations.

Section 1625, "Comprehensive revaluation of assets and liabilities" has been amended as a result of issuing "Business combinations", Section 1582, "Consolidated financial statements", Section 1601, and "Non controlling interests", Section 1602, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582.

Section 1582, "Business combinations" replaces Section 1581 effective for years beginning on or after January 1, 2011. The principal changes are: assets, liability and equity are recognized at full fair value rather than the acquirer's interest in the fair value; a bargain purchase resulting in negative goodwill is recognized as a gain in net income in the acquisition period.

Section 1601, "Consolidated financial statements" replaces Section 1600 effective for years beginning on or after January 1, 2011. The principal change are those reflecting the changes in new Section 1582 and the recognition of non controlling interest at fair value.

Section 1602, "Non controlling interests" effective for years beginning on or after January 1, 2011 in conjunction with Section 1582, "Business combinations", and Section 1601, "Consolidated financial statements", recognizes a non controlling interest at fair value in the equity Section of the balance sheet.

3. Financial Instruments

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, "Financial Instruments - Disclosures", requires disclosure of a three-level hierarchy for fair value measurements based upon the transparency of inputs into the valuation of financial instruments measured at fair value on the balance sheet.

The three levels are defined as follows:

Level 1 - inputs into the valuation methodology include quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

3. *Financial Instruments (continued)*

As at March 31, 2011:

	Level 1	Level 2	Level 3	Total
Cash	$ 334,933	$ -	$ -	$ 334,933
Restricted cash	$ 48,317	$ -	$ -	$ 48,317
Investments -				
Held for trading	$ 12,890,598	$ -	$ -	$ 12,890,598
Accounts receivable	$ 846,347	$ -	$ -	$ 846,347
Investment in property development	$ -	$ -	$ 1,400,000	$ 1,400,000

INVESTMENT IN PROPERTY DEVELOPMENT

During the year ended 31, 2010, NPDC entered into an agreement with CentreVenture Inc. (A separate entity owned by the City of Winnipeg) to jointly market properties at 311 and 315 Portage Avenue.

NPDC contributed $1,000,000 in cash towards the project, along with the property at 315 Portage Avenue, valued by management to be $400,000. The original cost of 315 Portage Avenue and carrying costs capitalized since purchase were $447,281, and $47,281 had been included in the prior year statement of operations as part of unrealized losses. In the current year, additional costs of $30,030 related to this investment have been included in unrealized losses.

Because management's estimates are based on inputs, none of which is based on observable market data, the carrying value as at March 31, 2011 is based on a number of assumptions as to the fair value of the investment, including factors such as estimated cash flow scenarios and risk adjusted discount rates. The assumptions used in estimating the fair value of the investment are subject to change, which may result in further adjustment to operating results in the future.

Credit Risk

Credit risk is the potential that a counterparty to a financial instrument will fail to perform its obligations. Financial instruments which potentially subject the Corporation to credit risk consist principally of receivables and loans receivable.

The maximum exposure of the Corporation to credit risk as of March 31, 2011, is $846,347.

The Corporation is not exposed to significant credit risk since the receivables are with a significant number of customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Fair Value

The Corporation's carrying value of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximates their fair values due to the immediate or short term maturity of these instruments.

The carrying value of investments held for trading are valued based on the mark to market basis of accounting for investment values using quoted prices of the individual investments in an active market.

The carrying value of the investment in property development is solely based on management's estimate of the net present value of future recoveries on the investment.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Corporation for debt with similar terms.

3. Financial Instruments (continued)

Currency Risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is subject to foreign currency risk as it has investments - held for trading denominated in foreign currency. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

If the foreign exchange rate for the held for trading investments and obligations under capital lease had been a plausible 10% higher as at March 31, 2011, with all other variables held constant, net revenues and expenses would have been $32,617 higher. Similarly, had the foreign exchange rate been a plausible 10% lower as at March 31, 2011, with all other variables constant, net revenues and expenses been $32,617 lower.

The above sensitivity analysis relates solely to the investments - held for trading and obligations under capital lease as at March 31, 2011.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The interest rate exposure relates to cash, investments and long term debt.

If the interest rate for the held for trading investments had been a plausible 1% higher as at March 31, 2011, with all other variables held constant, net revenues and expenses would have been $25,258 higher. Similarly, had the interest rate been a plausible 1% lower as at March 31, 2011, with all other variables constant, net revenues and expenses been $25,258 lower.

The above sensitivity analysis relates solely to the market value of investments - held for trading as at March 31, 2011.

Market Risk

Market risk is the risk that changes in market prices, interest rates and foreign exchange rates, will affect the Corporation's earnings or the fair values of its financial instruments. The Corporation has market risk attributable to its investments held for trading. The investments held for trading are carried on the balance sheet at the fair market value of the investments, with the change in fair value being recognized as an adjustment on the statements of revenue, expenditures and net assets.

If the overall market value rate for the held for trading investments had been a plausible 5% higher as at March 31, 2011, with all other variables held constant, net revenues and expenses would have been $643,559 higher in terms of unrealized gains. Similarly, had the overall market value rate been a plausible 5% lower as at March 31, 2011, with all other variables constant, net revenues and expenses been $643,559 lower in terms of unrealized losses.

The above sensitivity analysis relates solely to the market value of investments - held for trading as at March 31, 2011.

4. Investments Held for Trading

$12,890,598 is held for further development of the North Portage area.

5. Loans Receivable

During the year ended March 31, 2008, a loan was advanced to the Canadian Hostelling Association Inc. in the amount of $300,000. The loan is non-interest bearing with no specific terms of repayment. The terms of the loan receivable stipulate that the loan must be paid back, by the earlier of grant funding or from the operating cash flows from the project and five years from the date of the advance. The loan is secured by a first charge mortgage against the leasehold interest of the Canadian Hostelling Association Inc.

During the current year, it was determined by management that this loan may not be collectible and as a result, the loan was written down by $289,072 (2010 - $30,803). The effect was an adjustment to managements' estimate of fair value recorded in the consolidated statement of revenues and expenditures and net assets. The amount represents the original $300,000 amount advanced in 2008 and $19,875 advanced in the current year.

6. Capital Assets

	2011		2010	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
The Forks site (Note 7)	**$ 34,859,913**	**$ 20,320,437**	$ 34,455,555	$ 19,391,140
3D projector	**1,375,781**	**584,707**	1,375,781	584,707
Theatre equipment	**148,019**	**51,573**	132,426	51,573
Box office	**42,107**	**33,868**	42,107	29,403
Theatre facilities	**3,216,531**	**3,365,725**	3,216,531	3,210,227
Theatre renovation	**358,711**	**118,201**	358,711	80,890
Fixtures and signage	**72,261**	**72,261**	72,261	72,261
Rental buildings	**6,042,691**	**1,194,864**	5,468,527	1,024,173
Parking equipment	**1,499,686**	**690,902**	1,448,595	491,734
Office equipment	**320,971**	**269,852**	317,119	254,002
Leasehold improvements	**305,377**	**255,654**	298,127	234,814
Computers	**544,029**	**491,381**	522,188	469,677
	$ 48,786,077	**$ 27,449,425**	$ 47,707,928	$ 25,894,601
Net book value		**$ 21,336,652**		$ 21,813,327

7. The Forks Site

	2011		2010	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Land	**$ 120,694**	**$ -**	$ 120,694	$ -
Building	**8,312,161**	**4,032,104**	8,249,032	3,824,588
Roads and services	**7,248,732**	**6,036,940**	7,248,732	5,941,359
Parks and plaza	**9,087,936**	**5,060,484**	9,054,118	4,614,741
Parking structure	**5,002,682**	**907,867**	5,002,682	952,116
Furniture and equipment	**1,906,410**	**1,383,813**	1,466,086	1,142,155
Equipment under capital lease	**12,651**	**2,214**	295,925	114,258
Tenant allowances and pre-opening costs	**3,168,647**	**2,897,015**	3,018,286	2,801,923
	$ 34,859,913	**$ 20,320,437**	$ 34,455,555	$ 19,391,140
Net book value		**$ 14,539,476**		$ 15,064,415

8. *Investment in Properties and Infrastructure Enhancements*

	2011	2010
North Portage properties and infrastructure enhancements (Note 9)	**$ 41,716,391**	$ 42,498,412
The Forks infrastructure enhancements (Note 10)	**5,259,840**	5,487,488
The Forks donated land (Note 11)	**7,694,646**	7,694,646
	$ 54,670,877	$ 55,680,546

9. *North Portage Properties and Infrastructure Enhancements*

	2011		2010	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Land assembly and demolition	**$ 26,954,125**	**$ -**	$ 26,954,125	$ -
Site servicing	**4,306,438**	**6,135,407**	4,306,438	6,128,226
Development projects	**3,576,449**	**-**	3,576,449	-
Infrastructure enhancements	**33,993,622**	**20,978,836**	33,993,622	20,203,996
	$ 68,830,634	**$ 27,114,243**	$ 68,830,634	$ 26,332,222
Net book value		**$ 41,716,391**		$ 42,498,412

10. *The Forks Infrastructure Enhancements*

	2011		2010	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Clearing and relocation	**$ 2,257,333**	**$ -**	$ 2,257,333	$ -
Land carrying costs	**1,771,316**	**1,770,376**	1,771,316	1,770,087
Site servicing	**5,540,913**	**4,637,407**	5,519,123	4,543,348
Development projects	**588,510**	**586,355**	588,510	584,189
Infrastructure enhancements	**6,363,163**	**4,267,257**	6,363,231	4,114,401
	$ 16,521,235	**$ 11,261,395**	$ 16,499,513	$ 11,012,025
Net book value		**$ 5,259,840**		$ 5,487,488

11. *The Forks Donated Land*

FRC acquired title and possession of 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 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 FRC 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 were 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 is 49.95 acres.

12. *Long Term Debt*

	2011	2010
Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of $82,940. The loan matures on August 1, 2032 and is secured by a general security agreement represented by a first charge on the following lease agreements: Cityscape Residence Corp, The Kiwanis Club of Winnipeg Seniors Building Inc., Fred Douglas Place Ltd. and Portage Place Centre Inc.	**$ 12,379,803**	$ 12,667,589
Amounts payable within one year	**(304,453)**	(287,786)
	$ 12,075,350	$ 12,379,803

Principal repayment terms are approximately:

2012	$ 304,453
2013	322,086
2014	340,739
2015	360,473
2016	381,350
Thereafter	10,670,702
	$ 12,379,803

13. *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 contract 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.

In fiscal 2009 FNP entered into a capital lease contract to purchase automated parking equipment. The obligation has an assumed interest rate of 5.71% per annum.

Interest relating to capital lease obligations has been recorded in Forks Market expenses in the amount of $1,777 (2010 - $5,245), in IMAX Theatre expenses in the amount of $14,610 (2010 - $17,922), and in FNP Parking in the amount of $21,553 (2010 - $27,540).

The payment terms in Canadian dollars are as follows:

2012	$ 181,481
2013	181,481
2014	137,728
2015	54,163
2016	38,993
Total minimum lease payments	593,846
Less: amount representing interest at various rates	(60,183)
Present value of minimum lease payments	533,663
Less: current portion	(152,821)
	$ 380,842

14. Share Capital

Authorized:
Unlimited Common shares

		2011	2010
Issued:			
3	Common shares	**$ 3**	$ 3

15. Amortization

Included in amortization is the following:

	2011	2010
Amortization of capital assets	**$ (2,785,052)**	$ (2,961,343)
Amortization of deferred contributions	**2,018,392**	2,018,392
	$ (766,660)	$ (942,951)

16. Contingent Liability

A statement of claim for $204,281 was filed against the Corporation, the Canadian Hostelling Association and Hostelling International Canada - Manitoba Region for an alleged breach of contract. The claim is currently under review, with the outcome undeterminable at this time. Therefore no liability has been recorded.

17. Commitments

Facilities:

i) The Corporation 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 System Management Corporation ("ISM").

The Corporation had the option, within 105 days of the 15th anniversary of the opening date of March 1, 2003, to sell the land to 2700760 for a price of $2.3 million. 2700760 had the option, within 45 days after the 15th anniversary of the opening date to purchase the land for a price which was the greater of the $2.3 million and the fair market value at that time.

During the year ended March 31, 2008, the Corporation agreed to an extension of the option dates for one year.

During the fiscal year ended March 31, 2009, the Corporation agreed to an extension of its option date a further year.

During the current fiscal year, the Corporation agreed to a further two year extension of the option dates. $20,000 is being held in trust relative to the extension.

ii) FRC has leased parking, storage and an office site at The Forks to December 2011. FNP Parking Ltd. is administering the obligation. The lease, containing renewal options, calls for base monthly payments of $1,667 and provides for payment of utilities and property taxes. Payments related to these activities are included in the figures noted below.

17. Commitments (continued)

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 in Canadian dollars are as follows:

2012	$	224,523
2013		184,163
2014		172,438
2015		176,938
2016		79,938
	$	838,000

18. Tenant Inducement Payable

Tenant inducement payable represents an amount that the Corporation has agreed to pay on behalf of a tenant for a capital improvement. The loan provided by Farm Credit bears interest at 1.87% per annum, is payable in monthly installments of $601 including interest, and matures October 2015.

19. Restricted Cash

Restricted cash consists of cash held in trust by the Corporation for the Weather Protected Walkway System expansion in downtown Winnipeg. NPDC is managing the accounting and cash disbursements aspect of this project. The liability, in the same amount as the asset, is included in accounts payable and accrued liabilities.

THE CITY OF WINNIPEG
COUNCIL PENSION PLAN
(Established under By-law 7869/2001)

STATEMENTS OF FINANCIAL POSITION

As at December 31

	2011	2010
ASSETS		
Investments		
Cash and short-term deposits (Note 3)	**$ 91,729**	$ 734,708
Canadian equities (Note 3)	**2,389,807**	1,678,532
	2,481,536	2,413,240
Accrued interest	**20,002**	2,292
Total Assets	**2,501,538**	2,415,532
LIABILITIES		
Accounts payable and accrued liabilities	**27,807**	9,149
Due to The City of Winnipeg	**-**	2,151
Total Liabilities	**27,807**	11,300
NET ASSETS AVAILABLE FOR BENEFITS	**2,473,731**	2,404,232
OBLIGATION FOR PENSION BENEFITS (Note 4)	**3,220,620**	2,187,725
NET ASSETS AVAILABLE FOR BENEFITS LESS OBLIGATION FOR PENSION BENEFITS	**$ (746,889)**	$ 216,507

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION PLAN
(Established under By-law 7869/2001)

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31

	2011	2010
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg (Note 5)	**$ 168,358**	$ 151,753
Plan members	**50,479**	45,400
	218,837	197,153
Investment income from		
Canadian equities	**51,166**	18,895
Cash and short-term deposits	**746**	1,537
Bonds and bankers' acceptances	**-**	17,979
	51,912	38,411
Current period change in fair value of investments	**210,436**	92,347
Total increase in assets	**481,185**	327,911
DECREASE IN ASSETS		
Administrative expenses		
Actuarial fees	**41,507**	40,510
Investment management, audit and administrative fees	**15,699**	12,773
	57,206	53,283
Benefit payments		
Commuted value benefit	**286,880**	-
Pension payments	**67,600**	37,694
	354,480	37,694
Total decrease in assets	**411,686**	90,977
Increase in net assets	**69,499**	236,934
Net assets available for benefits at beginning of year	**2,404,232**	2,167,298
Net assets available for benefits at end of year	**$ 2,473,731**	$ 2,404,232

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION PLAN
(Established under By-law 7869/2001)

STATEMENTS OF CHANGES IN PENSION OBLIGATION

For the years ended December 31

	2011	2010
OBLIGATION FOR PENSION BENEFITS AT BEGINNING OF YEAR	**$ 2,187,725**	$ 2,373,119
Amendment to benefits	**796,560**	-
Plan experience loss (gain)	**238,601**	(116,768)
Benefits accrued	**170,724**	185,110
Interest accrued on benefits	**107,970**	104,115
Changes in actuarial assumptions	**73,520**	(320,157)
Benefits paid	**(354,480)**	(37,694)
OBLIGATION FOR PENSION BENEFITS AT END OF YEAR	**$ 3,220,620**	$ 2,187,725

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION PLAN
(Established under By-law 7869/2001)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

1. Description of Plan

a) General

The City of Winnipeg Council Pension Plan (the "Plan") was established on 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 of Winnipeg (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 of 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 of 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 survivor's benefits on the member's 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 ("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.

On January 1, 2011, the Plan adopted the Canadian accounting standards for pension plans with a transition date of January 1, 2010. Canadian accounting standards for pension plans requires the Plan, in selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, to comply on a consistent basis with either International Financial Reporting Standards ("IFRS") or Canadian accounting standards for private enterprises ("ASPE"). The Plan has chosen to comply on a consistent basis with ASPE.

The statement of financial position was revised to include obligation for pension benefits and the resulting (deficiency) surplus. A statement of changes in pension obligation was also added, which details the changes to the obligation for pension benefits. There were no adjustments to the previously reported amounts as a result of implementing these accounting changes.

b) Financial instruments

i) Initial measurement

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other financing fees and transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

ii) Subsequent to initial recognition

Investments are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in the statement of changes in net assets available for benefits in the period incurred. Other financial instruments are measured at amortized cost.

2. *Significant Accounting Policies (continued)*

c) Investments

i) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining fair value, the Plan has early adopted the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"). The Plan measures fair value of investments using quoted prices in an active market. The Plan uses closing market prices as a practical expedient for fair value measurement, which is allowable under IFRS 13 and is consistent with how the Plan previously valued investments.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of current period change in fair value of investments.

Fair values of investments are determined as follows:

Canadian equities are valued at year-end quoted closing prices.

Cash and short-term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

ii) Income recognition

Income from investments is recorded on an accrual basis and includes interest income, dividends and other income.

d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of net assets, changes in net assets, and related disclosures. Actual results could differ from those estimates. The most significant use of estimates is the assumption used in the actuarial valuation for the obligation for pension benefits (Note 4).

e) Income taxes

The Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

3. *Risk Management*

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. Therefore, the objective of investment risk management is to diversify investment assets to reduce the likelihood of a significant reduction in total fund value while achieving the opportunity for gains in the portfolio within acceptable risk parameters. This is achieved by diversifying the investment portfolio within the constraints of the investment policy and objectives by regularly monitoring the Plan's position and market events.

3. Risk Management (continued)

a) 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.

i) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income and obligation for pension benefits. 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 market 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.

ii) Foreign currency risk

The Plan does not have any foreign currency risk as it only holds investments denominated in Canadian dollars.

iii) Other price risk

The Plan's investments in equities are sensitive to 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. To manage the Plan's other price risk, the Board adopted an indexing strategy that diversifies risk over a wide range of investments that mirror the liabilities of the Plan.

As at December 31, 2011, a decline of 10 percent in value of equity investments, with all other variables held constant, would have impacted the Plan's equity investments by an approximate unrealized loss of $239,000 (2010 - $168,000).

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, 2011, the Plan's maximum credit risk exposure relates to accrued interest, cash and short-term deposits totalling $111,731.

c) Liquidity risk

Liquidity risk refers to the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities through selling or acquiring investments in a timely and cost-effective manner. The Plan maintains a portfolio of highly marketable Canadian assets that may be sold as protection against any unforeseen interruption to cash flow.

3. Risk Management (continued)

d) Fair value

The Plan's assets, which are recorded at fair value, have been categorized into one of the following categories reflecting the significant inputs used in making the fair value measurement:

- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 valuation techniques using inputs for the asset of liability that are not based on observable market data (unobservable inputs).

The following is a summary of the inputs used as of December 31, 2011 and 2010 in valuing the Plan's financial assets recorded at fair value:

	Level 1	Level 2	Level 3	**2011 Total**
Cash and short-term deposits	**$ 91,729**	**$ -**	**$ -**	**$ 91,729**
Canadian equities	**2,389,807**	**-**	**-**	**2,389,807**
	$ 2,481,536	**$ -**	**$ -**	**$ 2,481,536**

	(Level 1)	(Level 2)	(Level 3)	2010 Total
Cash and short-term deposits	$ 734,708	$ -	$ -	$ 734,708
Canadian equities	1,678,532	-	-	1,678,532
	$ 2,413,240	$ -	$ -	$ 2,413,240

Canadian equities consist of the following;

	2011	2010
iShares real return bond index fund	**$ 1,762,731**	$ 1,030,786
iShares S&P/TSX 60 index fund	**393,634**	444,827
BMO long federal bond index fund	**233,442**	202,919
	$ 2,389,807	$ 1,678,532

4. Obligation for Pension Benefits

The actuarial present value of accrued pension benefits was determined using the projected benefit method pro-rated on service and using assumptions approved by the Board with input from the actuary. An actuarial valuation of the Plan was prepared, effective December 31, 2011, by Mercer (Canada) Limited ("Mercer").

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 4.8% (2010 - 4.95%) per annum, a rate of return on assets of 4.8% (2010 - 4.95%) per annum and a general rate of salary increase of 2.5% (2010 - 2.7%) per annum.

5. Contributions

	2011	2010
Current service	**$ 168,358**	$ 151,753

The City's 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.

6. *Capital Management*

The main objective of the Plan is to sustain a level of net assets in order to meet the pension obligation of the Plan. The Plan fulfills this objective by adhering to specific investment policies including asset mix and rate of return expectations, outlined in the Board approved Statement of Investment Policies and Procedures. Investment policy, strategies and performance are reviewed regularly by the Board.

The Plan is required to have an actuarial funding valuation filed with Canada Revenue Agency. The most recent valuation filed was prepared by Mercer for the period ended December 31, 2009. As at December 31, 2011, the financial statements have disclosed a deficiency as a result of amendments to the benefits. Accordingly, an updated actuarial funding valuation of the Plan for the period ended December 31, 2011, is scheduled to be completed and filed in 2012. The City is responsible for ensuring that the actuarial liabilities of the Plan are adequately funded.

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF FINANCIAL POSITION

As at December 31

		2011 (000's)		2010 (000's)
ASSETS				
Investments, at fair value				
Bonds and debentures	**$**	**296,755**	$	313,036
Canadian equities		**271,406**		302,855
Foreign equities		**261,565**		261,305
Cash and short-term deposits		**46,421**		30,455
Private equities		**15,024**		14,017
Real estate		**3,885**		-
		895,056		921,668
Accrued interest		**778**		1,134
Participants' contributions receivable		**4**		4
Employers' contributions receivable		**9**		5
Accounts receivable		**1**		2
Due from The Winnipeg Civic Employees' Pension Plan		**19**		62
Total Assets		**895,867**		922,875
LIABILITIES				
Accounts payable		**1,248**		642
Total Liabilities		**1,248**		642
NET ASSETS AVAILABLE FOR BENEFITS		**894,619**		922,233
PENSION OBLIGATIONS		**936,283**		898,923
(DEFICIT) SURPLUS	**$**	**(41,664)**	$	23,310
(DEFICIT) SURPLUS COMPRISED OF:				
Main Account - General Component	**$**	**(79,124)**	$	(30,521)
Main Account - Contributions Stabilization Reserve		**29,943**		46,253
Plan Members' Account		**7,517**		7,578
	$	**(41,664)**	$	23,310

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31

	2011 **(000's)**	2010 (000's)
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	**$ 9,758**	$ 9,454
Employees	**9,870**	9,609
Reciprocal transfers from other plans	**-**	145
	19,628	19,208
Investment income (Note 5)	**30,448**	29,102
Current period change in fair value of investments	**(35,992)**	59,239
Total increase in assets	**14,084**	107,549
DECREASE IN ASSETS		
Pension payments	**37,606**	36,094
Lump sum benefits	**1,508**	1,390
Administrative expenses (Note 7)	**790**	753
Investment management and custodial fees	**1,794**	1,814
Total decrease in assets	**41,698**	40,051
(Decrease) increase in net assets	**(27,614)**	67,498
Net assets available for benefits at beginning of year	**922,233**	854,735
Net assets available for benefits at end of year	**$ 894,619**	$ 922,233

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the years ended December 31

	2011 (000's)	2010 (000's)
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	**$ 898,923**	$ 846,689
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	**55,403**	52,850
Benefits accrued	**28,763**	28,359
Changes in actuarial assumptions	**-**	2,763
Experience gains and losses and other factors	**-**	6,508
Total increase in accrued pension benefits	**84,166**	90,480
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	**39,114**	37,485
Changes in actuarial assumptions	**6,894**	-
Administration expenses	**798**	761
Total decrease in accrued pension benefits	**46,806**	38,246
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	**37,360**	52,234
ACCRUED PENSION BENEFITS, END OF YEAR	**$ 936,283**	$ 898,923

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN (DEFICIT) SURPLUS

For the years ended December 31

	2011 (000's)	2010 (000's)
SURPLUS, BEGINNING OF YEAR	**$ 23,310**	$ 8,046
(Decrease) increase in net assets available for benefits for the year	**(27,614)**	67,498
Increase in accrued pension benefits for the year	**(37,360)**	(52,234)
(DEFICIT) SURPLUS, END OF YEAR	**$ (41,664)**	$ 23,310

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 1

SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

For the year ended December 31

	2011			
	(000's) Main Account- General Component	(000's) Main Account- Contribution Stabilization Reserve	(000's) Plan Members' Account	**(000's) Total**
INCREASE IN ASSETS				
Contributions				
The City of Winnipeg	$ 9,758	$ -	$ -	**$ 9,758**
Employees	9,870	-	-	**9,870**
	19,628	-	-	**19,628**
Transfer from Contribution Stabilization Reserve (Note 1)	9,136	-	-	**9,136**
Transfers to Main Account	-	(9,136)	-	**(9,136)**
Investment income (Note 5)	29,034	1,161	253	**30,448**
Current period change in fair value of investments	(34,320)	(1,373)	(299)	**(35,992)**
Transfer from Contribution Stabilization Reserve - Resolution of funding deficiency (Note 3)	6,894	(6,894)	-	**-**
Total increase (decrease) in assets	30,372	(16,242)	(46)	**14,084**
DECREASE IN ASSETS				
Pension payments	37,606	-	-	**37,606**
Lump sum benefits	1,508	-	-	**1,508**
Administrative expenses (Note 7)	790	-	-	**790**
Investment management and custodial fees	1,711	68	15	**1,794**
Total decrease in assets	41,615	68	15	**41,698**
Decrease in net assets	(11,243)	(16,310)	(61)	**(27,614)**
Net assets available for benefits at beginning of year	868,402	46,253	7,578	**922,233**
Net assets available for benefits at end of year	$ 857,159	$ 29,943	$ 7,517	**$ 894,619**

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 2

SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

For the year ended December 31

	2010			
	(000's) Main Account- General Component	(000's) Main Account- Contribution Stabilization Reserve	(000's) Plan Members' Account	(000's) Total
INCREASE IN ASSETS				
Contributions				
The City of Winnipeg	$ 9,454	$ -	$ -	$ 9,454
Employees	9,609	-	-	9,609
Reciprocal transfers from other plans	145	-	-	145
	19,208	-	-	19,208
Transfer from Contribution Stabilization Reserve (Note 1)	9,149	-	-	9,149
Transfers to Main Account	-	(9,149)	-	(9,149)
Investment income (Note 5)	27,277	1,588	237	29,102
Current period change in fair value of investments	55,525	3,232	482	59,239
Transfer from Contribution Stabilization Reserve - Resolution of funding deficiency (Note 3)	21,774	(21,774)	-	-
Total increase (decrease) in assets	132,933	(26,103)	719	107,549
DECREASE IN ASSETS				
Pension payments	36,094	-	-	36,094
Lump sum benefits	1,390	-	-	1,390
Administrative expenses (Note 7)	753	-	-	753
Investment management and custodial fees	1,700	99	15	1,814
Total decrease in assets	39,937	99	15	40,051
Increase (decrease) in net assets	92,996	(26,202)	704	67,498
Net assets available for benefits at beginning of year	775,406	72,455	6,874	854,735
Net assets available for benefits at end of year	$ 868,402	$ 46,253	$ 7,578	$ 922,233

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 3

SCHEDULE OF CHANGES IN (DEFICIT) SURPLUS BY ACCOUNT

For the years ended December 31

	2011			
	(000's) Main Account-General Component	(000's) Main Account-Contribution Stabilization Reserve	(000's) Plan Members' Account	**(000's) Total**
SURPLUS (DEFICIT), BEGINNING OF YEAR	$ (30,521)	$ 46,253	$ 7,578	**$ 23,310**
Decrease in net assets available for benefits for the year	(11,243)	(16,310)	(61)	**(27,614)**
Net increase in accrued pension benefits for the year	(37,360)	-	-	**(37,360)**
(DEFICIT) SURPLUS, END OF YEAR	$ (79,124)	$ 29,943	$ 7,517	**$ (41,664)**

	2010			
	(000's) Main Account-General Component	(000's) Main Account-Contribution Stabilization Reserve	(000's) Plan Members' Account	(000's) Total
(DEFICIT) SURPLUS, BEGINNING OF YEAR	$ (71,283)	$ 72,455	$ 6,874	$ 8,046
Increase (decrease) in net assets available for benefits for the year	92,996	(26,202)	704	67,498
Net increase in accrued pension benefits for the year	(52,234)	-	-	(52,234)
SURPLUS (DEFICIT), END OF YEAR	$ (30,521)	$ 46,253	$ 7,578	$ 23,310

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

1. Description of Plan

a) General

The Winnipeg Police Pension Plan is a defined benefit pension plan, which provides pension benefits for City of Winnipeg police officers. All police officers are required to become members of the Plan at the commencement of their employment.

b) Administration

The Plan is administered by the Winnipeg Police Pension Board which is comprised of two voting members appointed by the Winnipeg Police Association, appointed on behalf of Police Officers who are Active Members, one voting member appointed by the Winnipeg Police Senior Officers' Association, appointed on behalf of the senior police officers who are Active Members, one voting member elected by the Non-Active Members and other beneficiaries under the Plan, and five members appointed by the City.

The Board also consists of a maximum of four non-voting members, one of whom may be appointed by each of the Winnipeg Police Association, the Winnipeg Police Senior Officers' Association, and the City of Winnipeg, respectively, and one of whom may be elected by the Non-Active Members or, if no election is held, appointed by the Non-Active Member Representative on behalf of the Non-Active Members.

The Plan is registered under the Pension Benefits Act of Manitoba. The Plan is a registered pension plan under the Income Tax Act, and is not subject to income taxes.

c) Financial structure

The Winnipeg Police Pension Plan is comprised of three Accounts, namely the Main Account (which has two components being the General Component and the Contribution Stabilization Reserve), the Plan Members' Account and the City Account.

i) Main Account - General Component

All benefits of the Pension Plan are paid from the Main Account - General Component.

Plan members contribute 8% of earnings to the Main Account. If the Contribution Stabilization Reserve is sufficient to provide a transfer to fund the difference between the current service cost of benefits accrued during the year and matching employee and City contributions, then the City matches the employee contributions during the year.

If the Contribution Stabilization Reserve is insufficient to provide the above transfer, then the City contributes the balance of the cost of non-indexed benefits, as determined by the Plan's Actuary, in excess of Plan members' contributions of 7% of earning (towards non-indexed benefits), plus 1% of earnings for cost-of-living adjustments.

1. Description of Plan (continued)

c) Financial structure (continued)

ii) Main Account - Contribution Stabilization Reserve

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account - General Component, the portion of the current service cost of benefits that exceeds the Plan members' and the City's matching contributions. Provincial funding regulations restrict the use of the Contribution Stabilization Reserve for this purpose to the balance in excess of 5% of the Plan's solvency liabilities.

iii) Plan Members' Account

In order to ensure that the Plan members will receive a benefit equal to the benefit received by the City through the contribution holidays that it took in 2001 and 2002, the Plan Members' Account was established effective January 1, 2003 with an initial balance equal to the amount of the City's contribution holidays adjusted for investment income up to December 31, 2002.

The Plan Members' Account will be credited with any share of future actuarial surpluses that are allocated to the Plan Members in accordance with the Plan.

iv) City Account

The financial structure provides for a City Account which will be credited with the share of future actuarial surpluses that are allocated to the City in accordance with the Plan. To date, no actuarial surplus has been credited to the City Account.

d) Retirement pensions

The Plan provides for retirement at or after age 55 or following completion of 25 years of credited service. The Plan allows early retirement at age 50 or completion of at least 20 years of credited service subject to an early retirement pension reduction. The pension formula prior to age 65 is equal to 2% of the average earnings in the 60 consecutive months in which the earnings are highest ("Best Average Earnings") for each year of credited service. The pension formula after age 65 is equal to 1.4% of Best Average Canada Pension Plan earnings plus 2% of Best Average Non-Canada Pension Plan earnings for each year of credited service. Pensions are subject to the maximum benefit limits prescribed for registered pension plans under the Income Tax Act.

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the Plan text, which level is currently 71.2% (2010 - 75%) of the percentage change in the Consumer Price Index for Canada.

e) Disability pensions

A member, who has completed at least fifteen years of credited service, and who has become totally and permanently disabled may apply for a disability pension.

f) Survivor's benefits

The Plan provides survivor pensions or lump sum benefits on death prior to retirement. On death after retirement, eligible surviving spouses normally receive 66 2/3% of the member's pension.

1. Description of Plan (continued)

g) Termination benefits

Upon application and subject to vesting and locking-in provisions, deferred pensions or equivalent lump sum benefits are payable when a member terminates employment with the City.

h) Variation in benefits

The Plan provides that the rate of cost-of-living adjustment to pensions may be increased using funds available in the Plan Members' Account or may be reduced in the event of a funding deficiency.

2. Summary of Significant Accounting Policies

a) Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the City and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

These financial statements include the financial statements of the Plan and its wholly-owned subsidiary, 5332665 Manitoba Ltd., which was incorporated on July 14, 2006. The Plan accounts for its investment in its subsidiary on a non-consolidated basis. The purpose of the subsidiary corporation is to invest in and hold certain private equity investments on behalf of the Plan.

b) Investments and investment income

Investments are stated at fair value. Fair value represents the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Publicly traded equity investments are valued using published bid prices. For private equity investments, where quoted market prices are not available, various methods of valuation are used by the external managers to determine fair value including the use of: discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Real estate investments are valued based on the most recent valuations or appraisals of the underlying properties.

Fixed income investments are valued either using published bid prices or by applying valuation techniques that utilize observable market inputs.

Cash and short-term investments are recorded at cost, which, together with accrued interest income, approximates fair value.

Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

The Plan's investment income, current period change in fair value of investments and investment management and custodial fees are allocated between the Accounts and Reserve based on the average balance of each Account and Reserve during the year.

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

c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

d) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets, obligations, and surplus during the year. Actual results could differ from those estimates.

e) Accounting changes

In April 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) issued Part IV, Accounting Standards for Pension Plans which includes Section 4600, Pension Plans. The new Section is applicable to financial statements of pension plans and other benefit plans relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Plan adopted the new standards for its fiscal year beginning January 1, 2011. The standards establish requirements for measurement and presentation of information in general purpose financial statements of pension plans, as well as financial statement disclosures. The Plan has elected to incorporate Part II - Accounting Standards for Private Enterprises (ASPE) of the CICA Handbook for issues not directly addressed in Part IV of the Handbook.

The comparative information presented for the year ended December 31, 2010 is also in accordance with the new financial reporting standards. The adoption of the new reporting standards did not result in any change to the net assets available for benefits as previously reported in 2010.

The following changes to the 2010 comparative figures result from accounting for the Plan's investment in its subsidiary on a non-consolidated basis:

Effects on 2010 Statement of Changes in Net Assets Available for Benefits:	Main Account-General Component (000's)	Main Account-Contribution Stabilization Reserve (000's)	Plan Members' Account (000's)	Total (000's)
Changes to income items:				
Investment income	$ (1)	$ -	$ -	$ (1)
Current period change in fair value of investments	(80)	(4)	-	(84)
	(81)	(4)	-	(85)
Changes to expense items:				
Administrative expenses	(14)	-	-	(14)
Investment management fees	(67)	(4)	-	(71)
	(81)	(4)	-	(85)
Effect on Net Assets Available for Benefits	$ -	$ -	$ -	$ -

2. Summary of Significant Accounting Policies (continued)

e) Accounting changes (continued)

Effects on 2010 Statement of Financial Position:	Total (000's)
Changes to assets:	
Cash and short-term deposits	$ (1,972)
Private equity	1,959
	(13)
Changes to liabilities:	
Accounts payable	(13)
	(13)
Effect on Net Assets Available for Benefits	$ -

3. Obligations for Pension Benefits

An actuarial valuation of the Plan was performed as of December 31, 2010 by Mercer (Canada) Limited. The results of the December 31, 2010 actuarial valuation were extrapolated to December 31, 2011, to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2011. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6.25% (2010 - 6.25%) per year, inflation of 2.0% (2010 - 2.0%) per year and general increases in pay of 3.5% (2010 - 3.5%) per year. The demographic assumptions, including rates of termination of employment, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2010 disclosed a $13,788,000 funding deficiency which was resolved in accordance with the Plan, by transferring $6,894,000 from the Main Account - Contribution Stabilization Reserve to the Main Account - General Component and by reducing future cost-of-living adjustments from 75% to 71.2% of inflation, effective January 1, 2011.

The actuarial valuation as at December 31, 2009 disclosed a $21,774,000 funding deficiency which was resolved in accordance with the Plan. Effective January 1, 2010, a transfer of $21,774,000 was made from the Main Account - Contribution Stabilization Reserve to the Main Account - General Component.

The assets available to finance the Plan's accrued benefits are those allocated to the Main Account - General Component. In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets of the Main Account - General Component was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

3. Obligations for Pension Benefits (continued)

The effect of using a smoothed value of assets for the Main Account - General Component in determining the estimated actuarial surplus or deficiency is as follows:

	2011 (000's)	2010 (000's)
Surplus (deficit) for financial statement reporting purposes		
Main Account - General Component	**$ (79,124)**	$ (30,521)
Fair value changes not reflected in actuarial value of assets	**58,291**	16,733
Surplus (deficit), for actuarial valuation purposes		
Main Account - General Component, as estimated	**(20,833)**	(13,788)
Add: special purpose reserves and accounts		
Main Account - Contribution Stabilization Reserve	**29,943**	46,253
Plan Members' Account	**7,517**	7,578
Surplus, for actuarial valuation purposes - including special purpose reserves and accounts, as estimated	**$ 16,627**	$ 40,043

4. Management of Financial Risk

In the normal course of business, the Plan’s investment activities expose it to a variety of financial risks. The Plan seeks to minimize potential adverse effects of these risks on the Plan’s performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plan’s position and market events, by diversifying the investment portfolio within the constraints of the investment policy and objectives, and occasionally through the use of derivatives to hedge certain risk exposures. Significant risks that are relevant to the Plan are discussed below.

a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan, and is concentrated in the Plan’s investment in bonds and debentures and short-term deposits. At December 31, 2011, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $343,954,000 (2010 - $344,625,000).

The Plan's concentration of credit risk as at December 31, 2011, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	2011 Fair Value (000's)	2010 Fair Value (000's)
Government of Canada and Government of Canada guaranteed	**$ 24,054**	$ 29,549
Provincial and Provincial guaranteed	**204,297**	187,796
Canadian cities and municipalities	**2,265**	3,283
Corporations and other institutions	**66,139**	92,408
	$ 296,755	$ 313,036

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $46,399,000 at December 31, 2011 (2010 - $30,447,000).

4. *Management of Financial Risk (continued)*

a) Credit risk (continued)

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process. All bond transactions are settled upon delivery using licensed brokers. The risk of default on settlement is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

As at December 31, bonds and debentures analyzed by credit rating are as follows:

	2011		2010	
Credit Rating	**Percent of Total Bonds (%)**	**Percent of Net Assets (%)**	Percent of Total Bonds (%)	Percent of Net Assets (%)
AAA	**16.4**	**5.4**	19.5	6.6
AA	**74.7**	**24.8**	69.1	23.4
A	**7.2**	**2.4**	9.4	3.2
BBB	**1.1**	**0.4**	1.4	0.5
BB	**0.6**	**0.2**	0.6	0.2
	100.0	**33.2**	100.0	33.9

The Plan participates in a securities lending program, managed by the Plan's custodian, wherein securities are loaned to counterparties in exchange for lending fees. In this regard, the Plan's exposure to credit risk relates to the potential for a counterparty to not return a security and the related collateral held is insufficient to replace the security in the open market. The Manager has responsibility to monitor the credit worthiness of counterparties and to regularly monitor and maintain collateral greater than the value of the loans.

b) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund the pensioner payroll costs and to fund investment commitments. The Plan primarily invests in securities that are traded in active markets and can be readily disposed. The Plan may invest in private equity, which is not traded in an organized market and may be illiquid, but only up to a maximum of 5% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures. The Plan may also invest in real estate, which is not traded in an organized market and may be illiquid, but only up to a maximum of 16% of the Plan's assets, as stipulated in the Plan's Statement of investment Policies and Procedures.

c) Interest rate risk

Interest rate risk is the risk that the fair value of the Plan's interest bearing investments will fluctuate due to changes in market interest rates. The Plan's exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

The Plan's actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term real rate of return which may result in higher contribution rates or lower benefit levels.

4. *Management of Financial Risk (continued)*

c) Interest rate risk (continued)

The Plan has approximately 38% (2010 - 37%) of its assets invested in fixed income securities as at December 31, 2011. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related fair values of investments in bonds and debentures held by the Plan at December 31, 2011 are as follows:

Term to Maturity	**2011 Fair Value (000's)**	2010 Fair Value (000's)
Less than one year	**$ 25,511**	$ 49,402
One to five years	**136,366**	125,439
Greater than five years	**134,878**	138,195
	$ 296,755	$ 313,036

As at December 31, 2011, had prevailing interest rates raised or lowered by 0.5% (2010 - 0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately $6,573,000 (approximately 0.7% of total net assets) (2010 - $7,075,000, approximately 0.8% of total net assets). The Plan's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the Plan's net foreign currency exposure after giving effect to the net related hedge as at December 31, 2011. The table also illustrates the potential impact to the Plan's net assets, all other variables held constant, as a result of a 10% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

	2011				2010	
	Gross Exposure (000's)	**Net Foreign Currency Hedge (000's)**	**Net Exposure (000's)**	**Impact on Net Assets (000's)**	Net Exposure (000's)	Impact on Net Assets (000's)
United States	**$ 156,354**	**$ -**	**$ 156,354**	**$ 15,635**	$ 141,025	$ 14,103
Euro Countries	**33,855**	**-**	**33,855**	**3,386**	35,984	3,598
United Kingdom	**25,763**	**-**	**25,763**	**2,576**	26,539	2,654
Japan	**13,966**	**-**	**13,966**	**1,397**	15,960	1,596
Switzerland	**8,917**	**-**	**8,917**	**892**	8,874	887
Sweden	**6,244**	**-**	**6,244**	**624**	7,910	791
Australia	**5,305**	**-**	**5,305**	**531**	6,759	676
Hong Kong	**4,986**	**-**	**4,986**	**498**	6,541	654
Other	**17,447**	**-**	**17,447**	**1,745**	20,985	2,099
	$ 272,837	**$ -**	**$ 272,837**	**$ 27,284**	$ 270,577	$ 27,058

4. Management of Financial Risk (continued)

e) Other price risk

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The Plan's policy is to invest in a diversified portfolio of investments. As well, the Plan's Managers moderate this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For this Plan, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2011, had the prices on the respective stock exchanges for these securities increased or decreased by 15%, with all other variables held constant, net assets would have increased or decreased by approximately $79,946,000 (approximately 8.9% of total net assets) (2010 - $84,624,000, approximately 9.2% of total net assets). In practice, the actual results may differ and the difference could be material.

The Plan also has exposure to valuation risk through it's holdings of private equity and real estate investments, for which quoted market prices are not available. As at December 31, 2011, the estimated fair value of private equity investments is $15,024,000 (2010 - $14,017,000), approximately 1.7% of total net assets (2010 - 1.5%), and the related change in fair value of investments recognized for the year ended December 31, 2011 is $992,000 (2010 - $2,345,000). As at December 31, 2011, the estimated fair value of real estate investments is $3,885,000 (2010 - $Nil), approximately 0.4% of total net assets (2010 - $Nil), and the related change in fair value of investments recognized for the year ended December 31, 2011 is $145,000 (2010 - $Nil).

f) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classifies to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

4. Management of Financial Risk (continued)

f) Fair value hierarchy (continued)

The following table presents the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2011 and December 31, 2010, classified using the fair value hierarchy described above:

	Level 1 (000's)	**Level 2 (000's)**	**Level 3 (000's)**	**2011 Total Investment Assets at Fair Value (000's)**
Bonds and debentures	**$ -**	**$ 296,755**	**$ -**	**$ 296,755**
Canadian equities	**270,518**	**888**	**-**	**271,406**
Foreign equities	**259,044**	**2,521**	**-**	**261,565**
Cash and short-term deposits	**46,421**	**-**	**-**	**46,421**
Private equities	**-**	**-**	**15,024**	**15,024**
Real estate	**-**	**-**	**3,885**	**3,885**
	$ 575,983	**$ 300,164**	**$ 18,909**	**$ 895,056**

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	2010 Total Investment Assets at Fair Value (000's)
Bonds and debentures	$ 1,757	$ 311,279	$ -	$ 313,036
Canadian equities	302,855	-	-	302,855
Foreign equities	258,632	2,673	-	261,305
Cash and short-term deposits	30,455	-	-	30,455
Private equities	-	-	14,017	14,017
	$ 593,699	$ 313,952	$ 14,017	$ 921,668

During the year, there have been no significant transfer of amounts between Level 1 and Level 2.

The following table reconciles the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

Private Equities	**2011 (000's)**	2010 (000's)
Fair value, beginning of year	**$ 14,017**	$ 9,748
Gains recognized in increase in net assets	**992**	2,345
Purchases	**2,169**	2,999
Sales	**(2,154)**	(1,075)
	$ 15,024	$ 14,017

4. *Management of Financial Risk (continued)*

f) Fair value hierarchy (continued)

Real Estate		**2011 (000's)**		2010 (000's)
Fair value, beginning of year	**$**	**-**	$	-
Gains recognized in increase in net assets		**145**		-
Purchases		**3,740**		-
	$	**3,885**	$	-

5. *Investment Income*

		2011 (000's)		2010 (000's)
Bonds and debentures	**$**	**16,851**	$	17,330
Canadian equities		**7,002**		6,449
Foreign equities		**5,922**		4,987
Cash and short-term deposits		**673**		336
	$	**30,448**	$	29,102
Allocated to:				
Main Account - General Component	**$**	**29,034**	$	27,277
Main Account - Contribution Stabilization Reserve		**1,161**		1,588
Plan Members' Account		**253**		237
	$	**30,448**	$	29,102

6. *Investment Transaction Costs*

During 2011, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $319,000 (2010 - $296,000). Investment transaction costs are included in the current period change in fair value of investments.

7. *Administrative Expenses*

		2011 (000's)		2010 (000's)
Winnipeg Civic Employees' Benefits Program	**$**	**589**	$	576
Actuarial fees		**162**		142
Legal fees		**28**		21
General and administrative expenses		**11**		14
	$	**790**	$	753

8. *Commitments*

The Plan's wholly-owned subsidiary, 5332665 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed $20,000,000. Commitments will be funded over the next several years. As at December 31, 2011, $14,183,000 had been funded.

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

STATEMENT OF FINANCIAL POSITION

As at December 31

	2011 (000's)	2010 (000's)
ASSETS		
Investments, at fair value		
Bonds and debentures	**$ 58,040**	$ 41,823
Canadian equities	**41,128**	45,192
Foreign equities	**14,826**	16,677
Short-term deposits	**13,476**	27,031
	127,470	130,723
Accrued interest	**230**	276
Employers' contributions receivable	**-**	1
Accounts receivable	**31**	28
Due from The Winnipeg Civic Employees' Pension Plan	**-**	2
Total Assets	**127,731**	131,030
LIABILITIES		
Accounts payable	**365**	375
Due to The Winnipeg Civic Employees' Pension Plan	**1**	-
Total Liabilities	**366**	375
NET ASSETS (Note 4)	**127,365**	130,655
BENEFIT OBLIGATIONS		
Civic Employees' (Note 5)	**89,083**	78,047
Police Employees' (Note 6)	**22,497**	18,221
	111,580	96,268
SURPLUS	**$ 15,785**	$ 34,387
SURPLUS COMPRISED OF:		
Civic Employees' (Note 5)	**$ 15,423**	$ 29,275
Police Employees' (Note 6)	**362**	5,112
	$ 15,785	$ 34,387

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	2011 (000's)	2010 (000's)
INCREASE IN ASSETS		
Contributions		
City of Winnipeg and participating employers	**$ 1,125**	$ 1,094
Employees - basic	**1,129**	1,097
Employees - optional	**368**	364
Pensioners	**194**	182
	2,816	2,737
Investment income	**3,005**	3,075
Current period change in fair value of investments	**(4,567)**	4,789
Total increase in assets	**1,254**	10,601
DECREASE IN ASSETS		
Administration	**146**	155
Actuarial fees	**21**	57
Legal fees	**8**	17
Benefit payments	**3,608**	4,269
Investment management fees	**78**	178
Claims administration and taxes	**209**	219
Total decrease in assets	**4,070**	4,895
(Decrease) increase in net assets	**(2,816)**	5,706
Net assets at beginning of year	**107,322**	101,616
Net assets at end of year	**$ 104,506**	$ 107,322

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

For the years ended December 31

	2011 (000's)	2010 (000's)
ACCRUED BENEFITS, BEGINNING OF YEAR	**$ 78,047**	$ 68,426
INCREASE IN ACCRUED BENEFITS		
Interest accrued on benefits	**3,492**	3,537
Benefits accrued	**2,843**	2,473
Changes in actuarial assumptions	**9,887**	5,591
Total increase in accrued benefits	**16,222**	11,601
DECREASE IN ACCRUED BENEFITS		
Benefits paid	**2,250**	1,980
Experience gains and losses and other factors	**2,936**	-
Total decrease in accrued benefits	**5,186**	1,980
NET INCREASE IN ACCRUED BENEFITS FOR THE YEAR	**11,036**	9,621
ACCRUED BENEFITS, END OF YEAR	**$ 89,083**	$ 78,047

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN SURPLUS

For the years ended December 31

	2011 (000's)	2010 (000's)
SURPLUS, BEGINNING OF YEAR	**$ 29,275**	$ 33,190
(Decrease) increase in net assets for the year	**(2,816)**	5,706
Net increase in accrued benefits for the year	**(11,036)**	(9,621)
SURPLUS, END OF YEAR	**$ 15,423**	$ 29,275

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	2011 **(000's)**	2010 (000's)
INCREASE IN ASSETS		
Contributions		
City of Winnipeg and participating employers	**$ 244**	$ 236
Employees - basic	**244**	238
Employees - optional	**55**	54
Pensioners	**50**	48
	593	576
Investment income	**653**	665
Current period change in fair value of investments	**(993)**	1,036
Total increase in assets	**253**	2,277
DECREASE IN ASSETS		
Administration	**31**	33
Actuarial fees	**-**	39
Legal fees	**1**	3
Benefit payments	**641**	775
Investment management fees	**17**	38
Claims administration and taxes	**37**	37
Total decrease in assets	**727**	925
(Decrease) increase in net assets	**(474)**	1,352
Net assets at beginning of year	**23,333**	21,981
Net assets at end of year	**$ 22,859**	$ 23,333

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

For the years ended December 31

	2011 (000's)	2010 (000's)
ACCRUED BENEFITS, BEGINNING OF YEAR	**$ 18,221**	$ 15,584
INCREASE IN ACCRUED BENEFITS		
Interest accrued on benefits	**856**	810
Benefits accrued	**809**	712
Changes in actuarial assumptions	**2,907**	1,547
Experience gains and losses and other factors	**65**	-
Total increase in accrued benefits	**4,637**	3,069
DECREASE IN ACCRUED BENEFITS		
Benefits paid	**361**	432
Total decrease in accrued benefits	**361**	432
NET INCREASE IN ACCRUED BENEFITS FOR THE YEAR	**4,276**	2,637
ACCRUED BENEFITS, END OF YEAR	**$ 22,497**	$ 18,221

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN SURPLUS

For the years ended December 31

		2011 (000's)		2010 (000's)
SURPLUS, BEGINNING OF YEAR	**$**	**5,112**	$	6,397
(Decrease) increase in net assets for the year		**(474)**		1,352
Net increase in accrued benefits for the year		**(4,276)**		(2,637)
SURPLUS, END OF YEAR	**$**	**362**	$	5,112

See accompanying notes to the financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

1. Description of Plan

The City of Winnipeg Employees' Group Life Insurance Plan is comprised of two plans, the Civic Employees' Group Life Insurance Plan for employees of the City of Winnipeg, other than police officers, and certain other employers which participate in the Plan and the Police Employees' Group Life Insurance Plan for police officers of the City.

a) Civic Employees' Group Life Insurance Plan

All employees are eligible to join the Plan commencing on their date of employment. All new members of The Winnipeg Civic Employees' Pension Plan must become members of the group life plan. Plan members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. Plan members and the City share equally in the cost of the basic life insurance coverage until retirement. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Plan is administered by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund). The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

b) Police Employees' Group Life Insurance Plan

All police officers are required to become members of the Plan commencing on their date of employment. Plan members are covered for basic life insurance coverage of two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance until retirement. Coverage on the life of disabled members continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Winnipeg Police Pension Board is responsible for the administration of the Plan. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

The City of Winnipeg Employees' Group Life Insurance Plan was first established in 1975. It is considered to be non-taxable as part of municipal government.

2. Summary of Significant Accounting Policies

a) Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans and other benefit plans 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 Plans for the fiscal period.

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

b) Investments and investment income

Investments are stated at fair value. Fair value represents the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The fixed income investments are valued either using published bid prices or by applying valuation techniques that utilize observable market inputs. The equity investments are valued using published bid prices. Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

d) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans and other benefit plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets, obligations, and surplus during the year. Actual results could differ from those estimates.

3. *Accounting Changes*

In April 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) issued Section 4600, Pension Plans, replacing Section 4100, Pension Plans. The new Section is applicable to financial statements of pension plans and other benefit plans relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Plan adopted the new standards for its fiscal year beginning January 1, 2011. The standards establish requirements for measurement and presentation of information in general purpose financial statements of pension plans and other benefit plans, as well as financial statement disclosures. The Plan has elected to incorporate by reference Part II - Accounting Standards for Private Enterprises (ASPE) of the CICA Handbook for issues not directly addressed in Part IV of the Handbook.

The comparative information presented for the year ended December 31, 2010 is also in accordance with the new financial reporting standards. The adoption of the new reporting standards did not result in any change to the net assets available for benefits as previously reported in 2010.

4. *Net Assets*

The Civic and Police Employees' Group Life Insurance Plans' net assets represent reserves that are available to finance the portion of the post-retirement insurance expected to be provided in the future to the members of the Plans that are not financed by retiree contributions. The reserves are also available to finance the related future insurer charges and Plan administration costs.

5. *Obligation for Post-Retirement Basic Life Insurance Benefits – Civic Employees' Group Life Insurance Plan*

An actuarial valuation of the Civic Employees' Group Life Insurance Plan was made as of December 31, 2010 by Mercer (Canada) Limited. The results of the December 31, 2010 actuarial valuation were extrapolated to December 31, 2011, with the exception of certain assumptions being updated to reflect economic circumstances for 2011, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Statement of Financial Position as at December 31, 2011. The assumptions used were approved by the Board of Trustees for purposes of preparing the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing the financial statements included a valuation interest rate of 3.90% (2010 Extrapolation - 4.65%) per year and general increases in pay of 3.50% (2010 Extrapolation - 3.75%) per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2010 disclosed an actuarial surplus of $26,866,000 (2007 - $35,083,000) and a contingency reserve in the amount of $7,481,000 (2007 - $6,151,000).

In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effects of using a smoothed value of assets of the Civic Employees' Group Life Insurance Plan in determining the estimated actuarial surplus or deficiency is as follows:

	2011 (000's)	2010 (000's)
Surplus for financial statement reporting purposes	**$ 15,423**	$ 29,275
Fair value changes not reflected in actuarial value of assets	**6,269**	1,835
Surplus for actuarial valuation purposes, as estimated	**$ 21,692**	$ 31,110

6. *Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan*

An actuarial valuation of the Police Employees' Group Life Insurance Plan was made as of December 31, 2010 by Mercer (Canada) Limited. The results of the December 31, 2010 actuarial valuation were extrapolated to December 31, 2011, with the exception of certain assumptions being updated to reflect economic circumstances for 2011, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Statement of Financial Position as at December 31, 2011. The assumptions used were approved by the Winnipeg Police Pension Board for purposes of preparing the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing the financial statements included a valuation interest rate of 3.90% (2010 Extrapolation - 4.65%) per year and general increases in pay of 3.50% (2010 Extrapolation - 3.75%) per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

6. *Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan (continued)*

The actuarial valuation as at December 31, 2010 disclosed an actuarial surplus of $3,710,000 (2007 - $6,825,000) and a contingency reserve in the amount of $1,819,000 (2007 - $1,347,000).

In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effects of using a smoothed value of assets of the Police Employees' Group Life Insurance Plan in determining the estimated actuarial surplus or deficiency is as follows:

	2011 (000's)	2010 (000's)
Surplus for financial statement reporting purposes	**$ 362**	$ 5,112
Fair value changes not reflected in actuarial value of assets	**1,358**	384
Surplus for actuarial valuation purposes, as estimated	**$ 1,720**	$ 5,496

7. *Management of Financial Risk*

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. The Plan seeks to minimize potential adverse effects of these risks on the Plan's performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plan's position and market events, by diversifying the investment portfolio within the constraints of the investment policy and objectives, and occasionally through the use of derivatives to hedge certain risk exposures. Significant risks that are relevant to the Plan are discussed below.

a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan, and is concentrated in the Plan's investment in bonds and debentures and short-term investments. At December 31, 2011, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $71,745,000 (2010 - $69,130,000). The Plan's concentration of credit risk as at December 31, 2011, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	**2011 Fair Value (000's)**	2010 Fair Value (000's)
Government of Canada and Government of Canada guaranteed	**$ 31,275**	$ 24,531
Provincial and Provincial guaranteed	**8,836**	2,128
Canadian cities and municipalities	**6,363**	2,715
Corporations and other institutions	**11,566**	12,449
	$ 58,040	$ 41,823

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $11,845,000 (2010 - $26,478,000) at December 31, 2011.

7. *Management of Financial Risk (continued)*

a) Credit risk (continued)

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process. All bond transactions are settled upon delivery using licensed brokers. The risk of default on settlement is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

As at December 31, bonds and debentures analyzed by credit rating are as follows:

	2011		2010	
Credit Rating	**Percent of Total Bonds**	**Percent of Net Assets**	Percent of Total Bonds	Percent of Net Assets
	(%)	(%)	(%)	(%)
AAA	**70.7**	**32.2**	69.0	22.1
AA	**20.5**	**9.4**	16.7	5.3
A	**4.3**	**2.0**	7.6	2.4
BBB	**0.5**	**0.2**	0.9	0.3
BB	**4.0**	**1.8**	5.8	1.9
	100.0	**45.6**	100.0	32.0

The Plan participates in a securities lending program, managed by the Plan's custodian, wherein securities are loaned to counterparties in exchange for lending fees. In this regard, the Plan's exposure to credit risk relates to the potential for a counterparty to not return a security and the related collateral held is insufficient to replace the security in the open market. The Manager has responsibility to monitor the credit worthiness of counterparties and to regularly monitor and maintain collateral greater than the value of the loans.

b) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund benefit payments and to fund investment commitments. The Plan invests solely in securities that are traded in active markets and can be readily disposed.

c) Interest rate risk

Interest rate risk is the risk that the fair value of the Plan's interest bearing investments will fluctuate due to changes in market interest rates. The Plan's exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

The Plan's actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of salary escalation. The Plan's primary exposure is to a decline in the long- term rate of return which may result in higher contributions rates required to meet the Plan's obligations.

The Plan has approximately 56% (2010 - 53%) of its assets invested in fixed income securities as at December 31, 2011. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

7. *Management of Financial Risk (continued)*

c) Interest rate risk (continued)

The term to maturity and related fair values of investments in bonds and debentures held by the Plan at December 31, 2011 are as follows:

Term to Maturity	**2011 Fair Value (000's)**	2010 Fair Value (000's)
Less than one year	**$ 903**	$ 8,161
One to five years	**36,438**	14,371
Greater than five years	**20,699**	19,291
	$ 58,040	$ 41,823

As at December 31, 2011, had prevailing interest rates raised or lowered by 0.5% (2010 - 0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately $1,129,000 (approximately 0.9% of total net assets) (2010 - $966,000, approximately 0.8% of total net assets). The Plan's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the Plan's net foreign currency exposure after giving effect to the net related hedge as at December 31, 2011. The table also illustrates the potential impact to the Plan's net assets, all other variables held constant, as a result of a 10% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

	2011				2010	
	Gross Exposure (000's)	Net Foreign Currency Hedge (000's)	Net Exposure (000's)	Impact on Net Assets (000's)	Net Exposure (000's)	Impact on Net Assets (000's)
Euro Countries	**$ 5,338**	**$ -**	**$ 5,338**	**$ 534**	$ 5,574	$ 557
United Kingdom	**2,642**	**-**	**2,642**	**264**	2,946	295
Japan	**1,481**	**-**	**1,481**	**148**	1,443	144
Switzerland	**998**	**-**	**998**	**100**	1,016	102
South Korea	**543**	**-**	**543**	**54**	396	40
Hong Kong	**428**	**-**	**428**	**43**	549	55
United States	**316**	**-**	**316**	**32**	528	53
Sweden	**131**	**-**	**131**	**13**	253	25
Other	**2,949**	**-**	**2,949**	**295**	3,972	397
	$ 14,826	**$ -**	**$ 14,826**	**$ 1,483**	$ 16,677	$ 1,668

7. *Management of Financial Risk (continued)*

e) Other price risk

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The Plan's policy is to invest in a diversified portfolio of investments. As well, the Plan's Managers moderate this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For this Plan, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2011, had the prices on the respective stock exchanges for these securities increased or decreased by 15%, with all other variables held constant, net assets would have increased or decreased by approximately $8,393,000 (approximately 6.6% of total net assets) (2010 - $9,280,000, approximately 7.5% of total assets). In practice, the actual results may differ and the difference could be material.

f) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2011 and December 31, 2010, classified using the fair value hierarchy described above:

	Level 1 (000's)	**Level 2** (000's)	**Level 3** (000's)	**2011 Total Investment Assets at Fair Value** (000's)
Bonds and debentures	**$ -**	**$ 58,040**	**$ -**	**$ 58,040**
Canadian equities	**41,128**	**-**	**-**	**41,128**
Foreign equities	**14,546**	**280**	**-**	**14,826**
Cash and short-term deposits	**13,476**	**-**	**-**	**13,476**
	$ 69,150	**$ 58,320**	**$ -**	**$ 127,470**

7. *Management of Financial Risk (continued)*

f) Fair value hierarchy (continued)

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	2010 Total Investment Assets at Fair Value (000's)
Bonds and debentures	$ 251	$ 41,572	$ -	$ 41,823
Canadian equities	45,192	-	-	45,192
Foreign equities	16,521	156	-	16,677
Cash and short-term deposits	27,031	-	-	27,031
	$ 88,995	$ 41,728	$ -	$ 130,723

During the year, there has been no significant transfer of amounts between Level 1 and Level 2.

8. *Investment Income*

	2011 (000's)	2010 (000's)
Bonds and debentures	**$ 1,922**	$ 2,074
Canadian equities	**985**	978
Foreign equities	**508**	524
Cash and short-term deposits	**243**	164
	$ 3,658	$ 3,740
Allocated to:		
Civic Employees'	**$ 3,005**	$ 3,075
Police Employees'	**653**	665
	$ 3,658	$ 3,740

9. *Investment Transaction Costs*

During 2011, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $30,000 (2010 - $41,000). Investment transaction costs are included in the current period change in market value of investments.

THE CITY OF WINNIPEG
TABLE OF FINANCIAL STATISTICS AND SELECTED RATIOS

FIVE-YEAR REVIEW

As at December 31
("$" amounts in thousands of dollars)
(unaudited)

		2011	2010	2009	2008	2007
Population (Statistics Canada)		**691,800**	682,100	672,900	664,900	658,800
Consolidated debt (1)	**$**	**800,928**	715,089	678,517	753,092	646,148
Net tax-supported debt (2)	**$**	**312,098**	235,853	204,816	217,814	237,624
Debt per capita:						
Consolidated (dollars)	**$**	**1,158**	1,048	1,008	1,133	981
Net tax-supported (dollars)	**$**	**451**	346	304	328	361
Non-portioned taxable assessments (millions) (3)	**$**	**56,287**	55,648	32,420	31,959	31,475
Debt as a % of non-portioned taxable assessments						
Consolidated		**1.4%**	1.3%	2.1%	2.4%	2.1%
Net tax-supported		**0.6%**	0.4%	0.6%	0.7%	0.8%
Consolidated revenues (4)	**$**	**1,469,610**	1,353,856	1,343,648	1,271,258	1,220,814
Consolidated debt as a % of consolidated revenues		**54.5%**	52.8%	50.5%	59.2%	52.9%

Notes:

(1) Consolidated debt is gross debt outstanding for all municipal purposes - tax-supported, City-owned utilities, special operating agencies, and wholly-owned corporations.

(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, Winnipeg Enterprises Corporation, wholly-owned corporations and the Province of Manitoba.

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

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS
As at December 31, 2011

		General Municipal Purposes	City-owned Utilities				Special Operating Agencies	
By-Law Number	Minister of Finance/Council Approval	General	Transit System	Waterworks System	Sewage Disposal System	Solid Waste Disposal	Fleet Management	Total
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	3,902,000	6,808,000	-	-	-	-	10,710,000
	March 25/09	-	-	-	-	-	6,400,000	6,400,000
	July 12/10	-	-	-	-	-	6,000,000	6,000,000
	March 23/11	-	-	-	-	-	6,700,000	6,700,000
32/2007	February 21/07	1,696,000	3,417,000	16,800,000	7,638,000	-	-	29,551,000
219/2007	January 23/08	3,488,000	-	-	37,200,000	-	-	40,688,000
184/2008	May 27/09	7,845,000	-	-	50,715,000	-	-	58,560,000
120/2009	November 25/09	75,000,000	-	-	-	-	-	75,000,000
150/2009	January 27/10	11,300,000	-	-	69,865,000	5,858,000	-	87,023,000
93/2011	September 28/11	139,920,000	-	-	-	-	-	139,920,000
		$ 325,118,958	$ 14,314,325	$ 16,800,000	$ 181,502,000	$ 5,858,000	$ 19,100,000	$ 562,693,283

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.

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

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS (continued)
As at December 31, 2011

Outstanding Capital Borrowing Authorization at December 31, 2010	$ 485,751,283
Add:	
By-law 93/2011	139,920,000
Fleet Management Agency Authorization March 23, 2011	6,700,000
Deduct:	
Debt Issued	(50,000,000)
Toronto Dominion Bank Loan Facility	(10,000,000)
Canada Mortgage and Housing Corporation	(9,678,000)
Outstanding Capital Borrowing Authorization at December 31, 2011	$ 562,693,283

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

DEBENTURE DEBT ISSUES
As at December 31, 2011

Term	Month	Interest Rate	By-Law Number	Amount of Debt	
The City of Winnipeg					
Sinking Fund Debt					
1993-2013	Feb. 11	9.375	6090/93		$ 90,000,000
1994-2014	Jan. 20	8.000	6300/94		85,000,000
1995-2015	May 12	9.125	6620/95		88,000,000
1997-2017	Nov. 17	6.250	7000/97		30,000,000
2006-2036	July 17	5.200	72/2006		60,000,000
2008-2036	July 17	5.200	72/2006B		100,000,000
2010-2041	June 3	5.150	183/2008		60,000,000
2011-2051	Nov. 15	4.300	72/06 & 183/08 & 150/09		50,000,000
					563,000,000
Serial Debt					
2003-2013	Jan. 17	5.350	8138/02	$ 23,602,000	
2004-2014	Mar. 24	4.600	86/2003	15,946,000	
2009-2019	Oct. 6	4.500	46/2007 & 31/2009	38,784,000	78,332,000
Total Debt					$ 641,332,000

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

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE

As at December 31, 2011

	Debenture Debt		
Description	**Gross**	**Sinking Fund**	**Net**
Tax-Supported			
General	$ 232,538,841	$ 110,724,284	$ 121,814,557
Unallocated Sinking Fund Deficit	-	(2,227,734)	2,227,734
Total Tax-Supported	232,538,841	108,496,550	124,042,291
Other Funds			
Municipal Accommodations	15,654,122	8,268,467	7,385,655
Transit System	110,448,813	15,880,696	94,568,117
Total Tax-Supported and Other Funds	358,641,776	132,645,713	225,996,063
City-Owned Utilities			
Solid Waste Disposal	1,000,000	738,300	261,700
Waterworks System	203,000,000	44,962,462	158,037,538
Sewage Disposal System	78,690,224	64,182,073	14,508,151
Total City-Owned Utilities	282,690,224	109,882,835	172,807,389
	$ 641,332,000	$ 242,528,548	$ 398,803,452

	2012 Fixed Annual Charges		
Description	**Interest**	**Principal**	**Total**
Tax-Supported	$ 15,339,651	$ 22,477,915	$ 37,817,566
Other Funds			
Municipal Accommodations	1,017,193	1,541,200	2,558,393
Transit System	6,067,371	2,504,352	8,571,723
Total Tax-Supported and Other Funds	22,424,215	26,523,467	48,947,682
City-Owned Utilities			
Solid Waste Disposal	91,250	30,243	121,493
Waterworks System	12,110,000	4,136,431	16,246,431
Sewage Disposal System	6,662,752	3,848,624	10,511,376
Total City-Owned Utilities	18,864,002	8,015,298	26,879,300
	$ 41,288,217	$ 34,538,765	$ 75,826,982

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

DEBENTURE DEBT CHANGES DURING 2011

Gross Debt as at January 1, 2011			$ 612,004,000
Debt Issued During 2011			
Tax-Supported Debt:			
Local Improvements	$ 1,550,000		
Streets and Bridges System	18,700,000	$ 20,250,000	
Utilities Debt:			
Transit System		29,750,000	50,000,000
Sub-total			662,004,000
Debt Retired During 2011			
Tax-Supported Debt:			
Assessment - Special Projects	98,052		
Business Liaison - Special Projects	310		
Community Improvement Program	77,450		
Community Services - Special Projects	26,550		
Convention Centre	26,252		
Core Area Programs	1,647,580		
Corporate Finance - Special Projects	5,576		
Culture and Recreation	1,295,588		
Fire	60,224		
Health and Social Development	405,837		
Infrastructure	130,116		
Infrastructure - Land Drainage	88,065		
Infrastructure - Parks and Recreation	19,335		
Infrastructure - Streets and Bridges	123,900		
Land Acquisition	17,150		
Land Drainage	2,036,356		
Land and Development - Special Projects	146,659		
Libraries	71,881		
North Portage Development	162,823		
Overhead Walkways	18,402		
Parks and Recreation	355,576		
Parks and Recreation - Special Projects	75,281		
Police	194,862		
Protection	657,444		
Special Projects	627,556		
Streets and Bridges System	8,759,252		
Winnipeg Development Agreement	123,920	17,251,997	
Utilities Debt:			
Transit	709,326		
Sewage Disposal System	1,505,849		
Municipal Accommodations	1,204,828	3,420,003	(20,672,000)
Gross Debt as at December 31, 2011			$ 641,332,000

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

DEBENTURE DEBT - MATURITY BY YEARS
As at December 31, 2011

Maturity Year	Sinking Fund Debt	Serial and Installment Debt	Total	%
2012	$ -	$ 21,448,000	$ 21,448,000	3.34
2013	90,000,000	22,263,000	112,263,000	17.50
2014	85,000,000	10,381,000	95,381,000	14.87
2015	88,000,000	4,848,000	92,848,000	14.48
2016	-	4,848,000	4,848,000	0.76
2017	30,000,000	4,848,000	34,848,000	5.43
2018	-	4,848,000	4,848,000	0.76
2019	-	4,848,000	4,848,000	0.76
2036	160,000,000	-	160,000,000	24.95
2041	60,000,000	-	60,000,000	9.35
2051	50,000,000	-	50,000,000	7.80
Gross Debt	$ 563,000,000	$ 78,332,000	641,332,000	100.00
Less: Sinking Fund Reserve			242,528,548	
Net Debt			$ 398,803,452	

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

DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES
As at December 31, 2011

Maturity Year	General Tax-Supported	Transit System	Waterworks System	Sewage Disposal System	Solid Waste Disposal	Municipal Accommodations	Total
2012	$ 17,887,404	$ 740,298	$ -	$ 1,580,430	$ -	$ 1,239,868	$ 21,448,000
2013	56,755,794	5,772,818	5,000,000	41,658,804	-	3,075,584	112,263,000
2014	31,237,593	6,810,696	13,000,000	35,450,990	-	8,881,721	95,381,000
2015	59,161,185	7,075,000	25,000,000	-	1,000,000	611,815	92,848,000
2016	4,311,716	75,000	-	-	-	461,284	4,848,000
2017	34,311,716	75,000	-	-	-	461,284	34,848,000
2018	4,311,716	75,000	-	-	-	461,284	4,848,000
2019	4,311,716	75,000	-	-	-	461,284	4,848,000
2036	-	-	160,000,000	-	-	-	160,000,000
2041	-	60,000,000	-	-	-	-	60,000,000
2051	20,250,000	29,750,000	-	-	-	-	50,000,000
	$ 232,538,840	$ 110,448,812	$ 203,000,000	$ 78,690,224	$ 1,000,000	$ 15,654,124	$ 641,332,000

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

ANNUAL DEBENTURE DEBT SERVICE CHARGES ON EXISTING DEBT
For the years ending December 31

	Tax-Supported			Utilities (Includes Transit System)			
Year	**Principal**	**Interest**	**Sub-total**	**Principal**	**Interest**	**Sub-total**	**Total**
2012	$ 22,477,915	$ 15,339,651	$ 37,817,566	$ 12,060,850	$ 25,948,566	$ 38,009,416	$ 75,826,982
2013	23,145,304	14,510,377	37,655,681	12,208,460	25,775,479	37,983,939	75,639,620
2014	12,187,134	10,573,636	22,760,770	8,562,798	20,848,402	29,411,200	52,171,970
2015	7,066,905	8,584,018	15,650,923	5,579,407	15,817,875	21,397,282	37,048,205
2016	5,408,115	3,424,538	8,832,653	4,576,850	12,773,677	17,350,527	26,183,180
2017	5,408,115	3,257,013	8,665,128	4,576,850	12,752,840	17,329,690	25,994,818
2018	4,500,915	1,206,497	5,707,412	4,576,850	12,731,010	17,307,860	23,015,272
2019	4,500,915	1,019,061	5,519,976	4,576,850	12,707,697	17,284,547	22,804,523
2020-2036	3,216,373	14,802,750	18,019,123	68,689,608	215,717,248	284,406,856	302,425,979
2037-2041	945,995	4,353,750	5,299,745	6,022,830	21,846,250	27,869,080	33,168,825
2042-2051	1,891,990	8,707,500	10,599,490	2,779,590	12,792,500	15,572,090	26,171,580
	$ 90,749,676	$ 85,778,791	$ 176,528,467	$ 134,210,943	$ 389,711,544	$ 523,922,487	$ 700,450,954

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE
As at December 31, 2011

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2012 Interest	Annual Charges 2012 Principal	Sinking Fund Reserve at Dec. 31, 2011
STREETS AND BRIDGE SYSTEM								
(street improvements, street lighting, bridges and underpasses)								
8138/02	$ 8,916,007	Jan. 17, 2003-2013	CAN	Serial	5.350	$ 255,329	$ 4,343,918	$ -
6090/93	14,067,475	Feb. 11, 1993-2013	CAN	5.000	9.375	1,318,826	425,437	12,498,120
6300/94	11,509,146	Jan. 20, 1994-2014	CAN	5.000	8.000	920,732	348,066	9,419,229
86/2003	7,102,128	Mar. 24, 2004-2014	CAN	Serial	4.600	242,039	2,271,915	-
6620/95	22,633,969	May 12, 1995-2015	CAN	5.000	9.125	2,065,350	684,510	16,710,655
7000/97	20,700,000	Nov. 17, 1997-2017	CAN	5.000	6.250	1,293,750	625,968	12,342,061
46/2007 & 31/2009	19,602,326	Nov 15, 2011-2051	CAN	Serial	4.500	690,602	2,450,291	-
72/06 & 183/08 & 150/09	18,700,000	Nov 15, 2011-2051	CAN	4.500	4.300	804,100	174,717	-
	123,231,051					7,590,728	11,324,822	50,970,065
LAND DRAINAGE								
(storm water relief sewers, drainage sewers and flood control)								
8138/02	2,413,422	Jan. 17, 2003-2013	CAN	Serial	5.350	69,114	1,175,830	-
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	1,154,973
6300/94	2,625,312	Jan. 20, 1994-2014	CAN	5.000	8.000	210,025	79,396	2,148,588
86/2003	1,803,641	Mar. 24, 2004-2014	CAN	Serial	4.600	61,468	576,971	-
6620/95	2,251,500	May 12, 1995-2015	CAN	5.000	9.125	205,449	68,091	1,662,282
7000/97	4,900,000	Nov. 17, 1997-2017	CAN	5.000	6.250	306,250	148,176	2,921,551
46/2007 & 31/2009	2,920,869	Oct 6, 2009-2019	CAN	Serial	4.500	102,904	365,109	-
	18,214,744					1,077,085	2,452,888	7,887,394

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2011

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2012 Interest	Annual Charges 2012 Principal	Sinking Fund Reserve at Dec. 31, 2011
CULTURE AND RECREATION **(parks, swimming pools, arenas, golf courses, zoo, libraries, etc.)**								
8138/02	2,480,509	Jan. 17, 2003-2013	CAN	Serial	5.350	71,035	1,208,515	-
86/2003	479,533	Mar. 24, 2004-2014	CAN	Serial	4.600	16,342	153,399	-
	2,960,042					87,377	1,361,914	-
PARKS AND RECREATION								
6090/93	5,360,525	Feb. 11, 1993-2013	CAN	5.000	9.375	502,549	162,117	4,762,509
6300/94	5,648,659	Jan. 20, 1994-2014	CAN	5.000	8.000	451,893	170,830	4,622,933
86/2003	230,536	Mar. 24, 2004-2014	CAN	Serial	4.600	7,857	73,747	-
6620/95	850,000	May 12, 1995-2015	CAN	5.000	9.125	77,563	25,706	627,555
46/2007 & 31/2009	2,278,115	Oct 6, 2009-2019	CAN	Serial	4.500	80,259	284,764	-
	14,367,835					1,120,121	717,164	10,012,997
LIBRARIES								
6090/93	100,000	Feb. 11, 1993-2013	CAN	5.000	9.375	9,375	3,024	88,844
6300/94	73,040	Jan. 20, 1994-2014	CAN	5.000	8.000	5,843	2,209	59,777
86/2003	92,958	Mar. 24, 2004-2014	CAN	Serial	4.600	3,168	29,737	-
6620/95	10,000	May 12, 1995-2015	CAN	5.000	9.125	913	302	7,383
46/2007 & 31/2009	346,622	Oct 6, 2009-2019	CAN	Serial	4.500	12,211	43,328	-
	622,620					31,510	78,600	156,004

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2011

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2012 Interest	Annual Charges 2012 Principal	Sinking Fund Reserve at Dec. 31, 2011
PROTECTION								
(fire halls, police garage and public safety building)								
8138/02	1,137,527	Jan. 17, 2003-2013	CAN	Serial	5.350	32,576	554,208	-
86/2003	426,003	Mar. 24, 2004-2014	CAN	Serial	4.600	14,518	136,275	-
	1,563,530					47,094	690,483	-
FIRE								
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	1,154,972
6300/94	13,791	Jan. 20, 1994-2014	CAN	5.000	8.000	1,103	417	11,287
86/2003	114,673	Mar. 24, 2004-2014	CAN	Serial	4.600	3,908	36,684	-
6620/95	2,000	May 12, 1995-2015	CAN	5.000	9.125	183	60	1,477
7000/97	1,800,000	Nov. 17, 1997-2017	CAN	5.000	6.250	112,500	54,432	1,073,223
46/2007 & 31/2009	200,007	Oct 6, 2009-2019	CAN	Serial	4.500	7,046	25,001	-
	3,430,471					246,615	155,909	2,240,959
POLICE								
6090/93	1,600,000	Feb. 11, 1993-2013	CAN	5.000	9.375	150,000	48,388	1,421,506
6300/94	335,678	Jan. 20, 1994-2014	CAN	5.000	8.000	26,854	10,152	274,723
86/2003	22,310	Mar. 24, 2004-2014	CAN	Serial	4.600	760	7,137	-
6620/95	100,000	May 12, 1995-2015	CAN	5.000	9.125	9,125	3,024	73,830
46/2007 & 31/2009	1,504,074	Oct 6, 2009-2019	CAN	Serial	4.500	52,990	188,009	-
	3,562,062					239,729	256,710	1,770,059

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2011

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2012 Interest	Annual Charges 2012 Principal	Sinking Fund Reserve at Dec. 31, 2011
HEALTH AND SOCIAL DEVELOPMENT								
(urban renewal, community health centres and hospital capital grants)								
8138/02	603,403	Jan. 17, 2003-2013	CAN	Serial	5.350	17,279	293,981	-
6090/93	150,000	Feb. 11, 1993-2013	CAN	5.000	9.375	14,063	4,536	133,266
6300/94	12,723	Jan. 20, 1994-2014	CAN	5.000	8.000	1,018	385	10,413
86/2003	411,854	Mar. 24, 2004-2014	CAN	Serial	4.600	14,036	131,749	-
	1,177,980					46,396	430,651	143,679
SPECIAL PROJECTS								
8138/02	951,519	Jan. 17, 2003-2013	CAN	Serial	5.350	27,249	463,584	-
6090/93	14,098,000	Feb. 11, 1993-2013	CAN	5.000	9.375	1,321,688	426,360	12,525,240
6300/94	2,267,324	Jan. 20, 1994-2014	CAN	5.000	8.000	181,386	68,570	1,855,606
86/2003	478,810	Mar. 24, 2004-2014	CAN	Serial	4.600	16,317	153,167	-
6620/95	667,000	May 12, 1995-2015	CAN	5.000	9.125	60,864	20,172	492,446
46/2007 & 31/2009	320,000	Oct 6, 2009-2019	CAN	Serial	4.500	11,274	40,000	-
	18,782,653					1,618,778	1,171,853	14,873,292
CONVENTION CENTRE								
8138/02	56,710	Jan. 17, 2003-2013	CAN	Serial	5.350	1,624	27,629	-
6090/93	225,000	Feb. 11, 1993-2013	CAN	5.000	9.375	21,094	6,805	199,899
6620/95	3,100,000	May 12, 1995-2015	CAN	5.000	9.125	282,875	93,752	2,288,730
	3,381,710					305,593	128,186	2,488,629

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2011

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2012 Interest	Annual Charges 2012 Principal	Sinking Fund Reserve at Dec. 31, 2011
OVERHEAD WALKWAYS								
86/2003	59,911	Mar. 24, 2004-2014	CAN	Serial	4.600	2,042	19,165	-
CORE AREA PROGRAM								
8138/02	2,551,565	Jan. 17, 2003-2013	CAN	Serial	5.350	73,070	1,243,134	-
86/2003	1,518,391	Mar. 24, 2004-2014	CAN	Serial	4.600	51,746	485,721	-
6620/95	235,000	May 12, 1995-2015	CAN	5.000	9.125	21,444	7,107	173,500
7000/97	1,000,000	Nov. 17, 1997-2017	CAN	5.000	6.250	62,500	30,240	596,235
	5,304,956					208,760	1,766,202	769,735
NORTH PORTAGE DEVELOPMENT								
8138/02	351,725	Jan. 17, 2003-2013	CAN	Serial	5.350	10,072	171,362	-
LAND ACQUISITION								
86/2003	55,835	Mar. 24, 2004-2014	CAN	Serial	4.600	1,903	17,861	-
INFRASTRUCTURE								
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,249	756,065	18,457,495
46/2007 & 31/2009	1,040,929	Oct 6, 2009-2019	CAN	Serial	4.500	36,673	130,116	-
	26,040,929					2,317,922	886,181	18,457,495
INFRASTRUCTURE - LAND DRAINAGE								
46/2007 & 31/2009	704,520	Oct 6, 2009-2019	CAN	Serial	4.500	24,821	88,065	-

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2011

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2012 Interest	Annual Charges 2012 Principal	Sinking Fund Reserve at Dec. 31, 2011
INFRASTRUCTURE - PARKS AND RECREATION								
46/2007 & 31/2009	154,680	Oct 6, 2009-2019	CAN	Serial	4.500	5,449	19,335	-
INFRASTRUCTURE - STREETS AND BRIDGES								
7000/97	1,600,000	Nov. 17, 1997-2017	CAN	5.000	6.250	100,000	48,384	953,976
46/2007 & 31/2009	991,200	Oct 6, 2009-2019	CAN	Serial	4.500	34,921	123,900	-
	2,591,200					134,921	172,284	953,976
COMMUNITY IMPROVEMENT PROGRAM								
46/2007 & 31/2009	619,601	Oct 6, 2009-2019	CAN	Serial	4.500	21,829	77,450	-
LOCAL IMPROVEMENTS								
72/06 & 183/08 & 150/09	1,550,000	Nov 15, 2011-2051	CAN	4.500	4.300	66,650	14,482	-
WINNIPEG DEVELOPMENT AGREEMENT								
46/2007 & 31/2009	991,360	Oct 6, 2009-2019	CAN	Serial	4.500	34,926	123,920	-
SPECIAL PROJECTS - PARKS AND RECREATION								
46/2007 & 31/2009	602,251	Oct 6, 2009-2019	CAN	Serial	4.500	21,218	75,281	-

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2011

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Debt	Annual Charges 2012 Interest	Principal	Sinking Fund Reserve at Dec. 31, 2011
SPECIAL PROJECTS - COMMUNITY SERVICES								
46/2007 & 31/2009	212,399	Oct 6, 2009-2019	CAN	Serial	4.500	7,483	26,550	-
SPECIAL PROJECTS - LAND AND DEVELOPMENT								
46/2007 & 31/2009	1,173,275	Oct 6, 2009-2019	CAN	Serial	4.500	41,335	146,659	-
SPECIAL PROJECTS - ASSESSMENT								
46/2007 & 31/2009	784,413	Oct 6, 2009-2019	CAN	Serial	4.500	27,635	98,052	-
SPECIAL PROJECTS - CORPORATE FINANCE								
46/2007 & 31/2009	44,611	Oct 6, 2009-2019	CAN	Serial	4.500	1,572	5,576	-
SPECIAL PROJECTS - BUSINESS LIAISON								
46/2007 & 31/2009	2,477	Oct 6, 2009-2019	CAN	Serial	4.500	87	310	-
Tax-Supported Total	**232,538,841**					**15,339,651**	**22,477,915**	**110,724,284**

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

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE
As at December 31, 2011

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2012 Interest	Annual Charges 2012 Principal	Sinking Fund Reserve at Dec. 31, 2011
TRANSIT SYSTEM								
8138/02	919,542	Jan. 17, 2003-2013	CAN	Serial	5.350	26,334	448,005	-
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	4,442,205
6300/94	6,500,000	Jan. 20, 1994-2014	CAN	5.000	8.000	520,000	196,577	5,319,681
86/2003	679,271	Mar. 24, 2004-2014	CAN	Serial	4.600	23,149	217,293	-
6620/95	7,000,000	May 12, 1995-2015	CAN	5.000	9.125	638,750	211,698	5,168,099
46/2007 & 31/2009	600,000	Oct 6, 2009-2019	CAN	Serial	4.500	21,138	75,000	-
183/2008	60,000,000	June 3, 2010-2041	CAN	4.500	5.150	3,090,000	926,607	950,711
72/06 & 183/08 & 150/09	29,750,000	Nov 15, 2011-2051	CAN	4.500	4.300	1,279,250	277,959	-
	110,448,813					6,067,371	2,504,352	15,880,696
WATERWORKS SYSTEM								
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	4,442,204
6300/94	13,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	1,040,000	393,154	10,639,362
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,064	18,457,495
72/2006	60,000,000	July17, 2006-2036	CAN	4.500	5.200	3,120,000	984,000	5,494,013
72/2006B	100,000,000	July17, 2008-2036	CAN	4.500	5.200	5,200,000	1,852,000	5,929,388
	203,000,000					12,110,000	4,136,431	44,962,462

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

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2011

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2012 Interest	Annual Charges 2012 Principal	Sinking Fund Reserve at Dec. 31, 2011
SEWAGE DISPOSAL SYSTEM								
8138/02	2,390,478	Jan. 17, 2003-2013	CAN	Serial	5.350	68,457	1,164,652	-
6090/93	40,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	3,750,000	1,209,703	35,537,636
6300/94	35,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	2,800,000	1,058,491	28,644,437
86/2003	1,299,746	Mar. 24, 2004-2014	CAN	Serial	4.600	44,295	415,778	-
	78,690,224					6,662,752	3,848,624	64,182,073
SOLID WASTE DISPOSAL								
6620/95	1,000,000	May 12, 1995-2015	CAN	5.000	9.125	91,250	30,243	738,300
MUNICIPAL ACCOMMODATIONS								
8138/02	829,593	Jan. 17, 2003-2013	CAN	Serial	5.350	23,757	404,181	-
6090/93	1,799,000	Feb. 11, 1993-2013	CAN	5.000	9.375	168,656	54,406	1,598,305
6300/94	8,014,327	Jan. 20, 1994-2014	CAN	5.000	8.000	641,146	242,374	6,559,025
86/2003	1,170,400	Mar. 24, 2004-2014	CAN	Serial	4.600	39,887	374,402	-
6620/95	150,531	May 12, 1995-2015	CAN	5.000	9.125	13,736	4,552	111,137
46/2007 & 31/2009	3,690,271	Oct 6, 2009-2019	CAN	Serial	4.500	130,011	461,285	-
	15,654,122					1,017,193	1,541,200	8,268,467
Utility Total	**408,793,159**					**25,948,566**	**12,060,850**	134,031,998
Unallocated Sinking Fund Deficit								(2,227,734)
Grand Total	**$ 641,332,000**					**$ 41,288,217**	**$ 34,538,765**	**$ 242,528,548**

Note: With passing of the new City of Winnipeg Charter in 2003, the City is no longer required to pass a by-law when it issues debentures.

PHOTO: Juncatta International, courtesy Tourism Winnipeg

PHOTO: Derek Ross, courtesy Tourism Winnipeg

Winnipeg