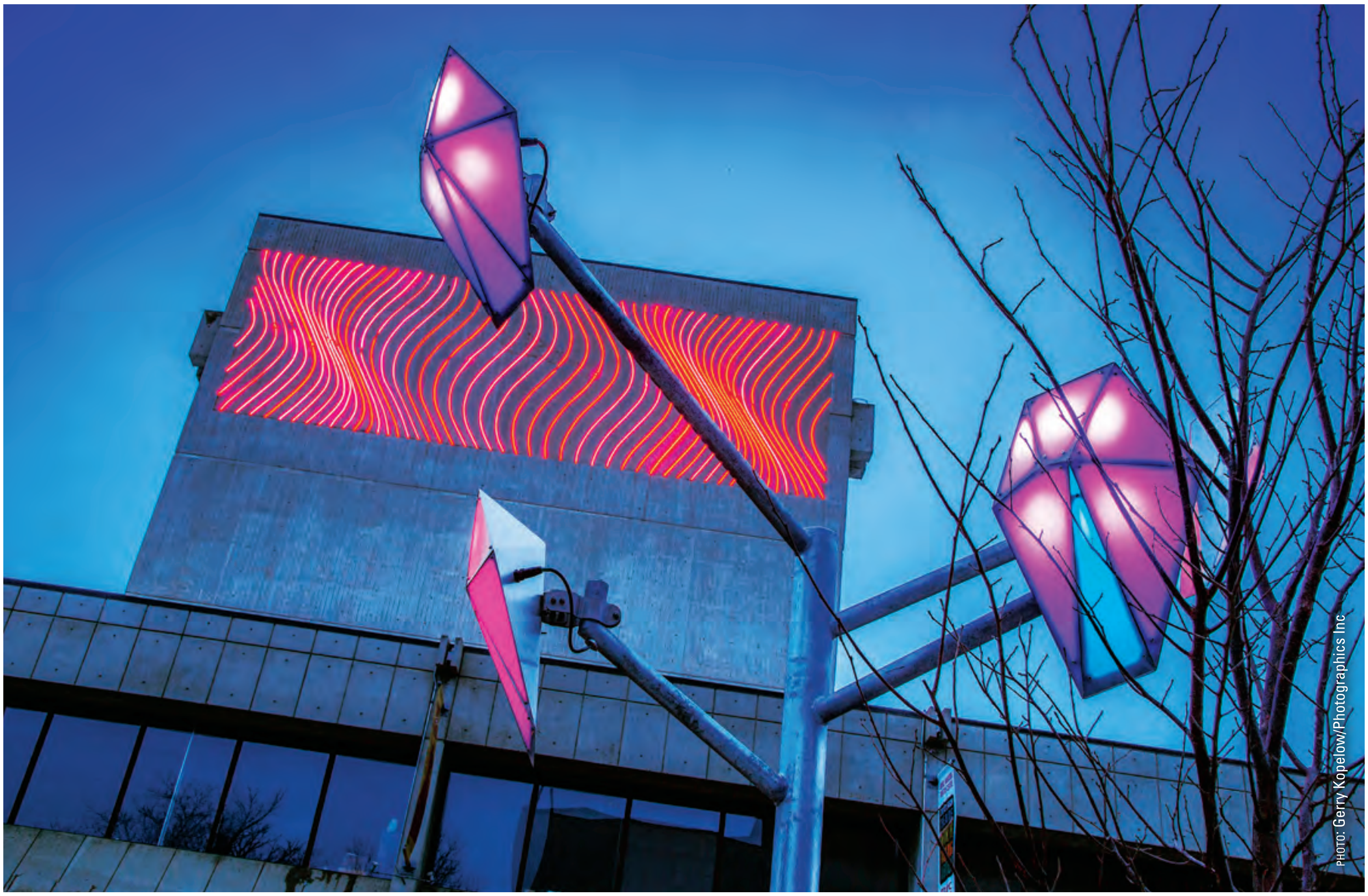
2013 DETAILED FINANCIAL STATEMENTS



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CONTENTS PAGES

CONTENTS	PAGES

2 0 1 3 C O N S O L I D A T E D F I N A N C I A L S T A T E M E N T S

D E T A I L E D F I N A N C I A L S T A T E M E N T S

REPORT FROM THE CHIEF FINANCIAL OFFICER
FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

I am pleased to present the following Financial Statement Discussion and Analysis, 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 ("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.

Financial Reporting Model

The objective of financial statements is to describe to the user the organization's financial position, the results of its operations and how the economic resources for its various activities have been derived and consumed. The Statements provide information about the economic resources, obligations and accumulated surplus of the City. While similar to financial statements of private sector organizations, government financial statements are different, accounting for the unique aspects of their operations.

Consolidated Statement of Financial Position	Provides information to describe a government's financial position in terms of its assets and liabilities as at the end of the reporting period. Reporting net financial position and accumulated surplus are important indicators to determine the government's financial well being.
Consolidated Statement of Operations and Accumulated Surplus	Provides accountability information for a government's current period operations and the related achievement of objectives for the reporting period. It also describes the change in accumulated surplus.
Consolidated Statement of Cash Flows	Provides information about the impact of a government's activities on its cash resources in the current period.
Consolidated Statement of Change in Net Financial Liabilities	Provides accountability information regarding the extent to which expenditures made in the period are met by the revenues recognized in the current period.

Funds, Entities, and Investment in Government Businesses

As noted above, the Statements are consolidated, meaning they reflect all resources and operations under the control 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

A fund is a grouping of accounts 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 included 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 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 Financial Stabilization Reserve assists in the funding of major unexpected expenses, or revenue deficits 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. The North Portage Development Corporation, Winnipeg Housing Rehabilitation Corporation and River Park South Developments Inc. are included in the Statements as investment in government businesses.

Consolidated Statement of Financial Position

Financial statements should present information to describe the government's financial position at the end of the accounting period. Such information is useful in evaluating the government's ability to finance its activities and to meet its liabilities and contractual obligations, as well as the government's ability to provide future services. To this end, governments need to understand the total economic resources they have on hand to deliver services. These resources can be financial (e.g.,cash, accounts receivable) and non-financial (e.g., tangible capital assets). At the same time, in respect of services delivered, governments will have liabilities to be settled in the future, that will consume the financial resources. This is a measure of the government's net financial asset/liability position. This measure must be considered in tandem with accumulated surplus to determine the government's ability to deliver services in the future. A significant portion of accumulated surplus includes the investment made in tangible capital assets which, for governments, represent service delivery capacity.

As at December 31, 2013, the City of Winnipeg reports:

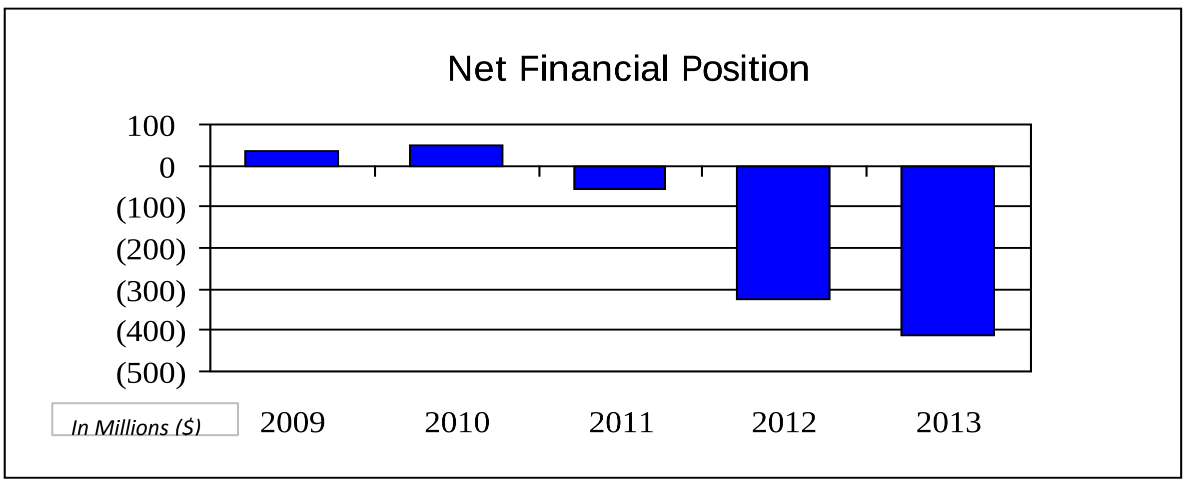
(in thousands of dollars)	2013	2012	Variance
Cash and cash equivalents	$ 329,661	$ 392,041	$ (62,380)
Other financial assets	617,919	557,538	60,381
Financial assets	947,580	949,579	(1,999)
Liabilities	1,358,643	1,275,184	(83,459)
Net financial position	(411,063)	(325,605)	(85,458)
Non-financial assets	5,558,726	5,238,113	320,613
Accumulated surplus	$5,147,663	$4,912,508	$ 235,155

The following elaborates on four key indicators in the Consolidated Statement of Financial Position - cash resources, net financial position, non-financial assets and accumulated surplus:

Cash Resources

The cash resources of the City are its cash and cash equivalents. It includes cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. During 2013, the City's cash decreased by $62.4 million. This decrease resulted primarily from cash invested in tangible capital assets exceeding cash generated through operating and financing activities.

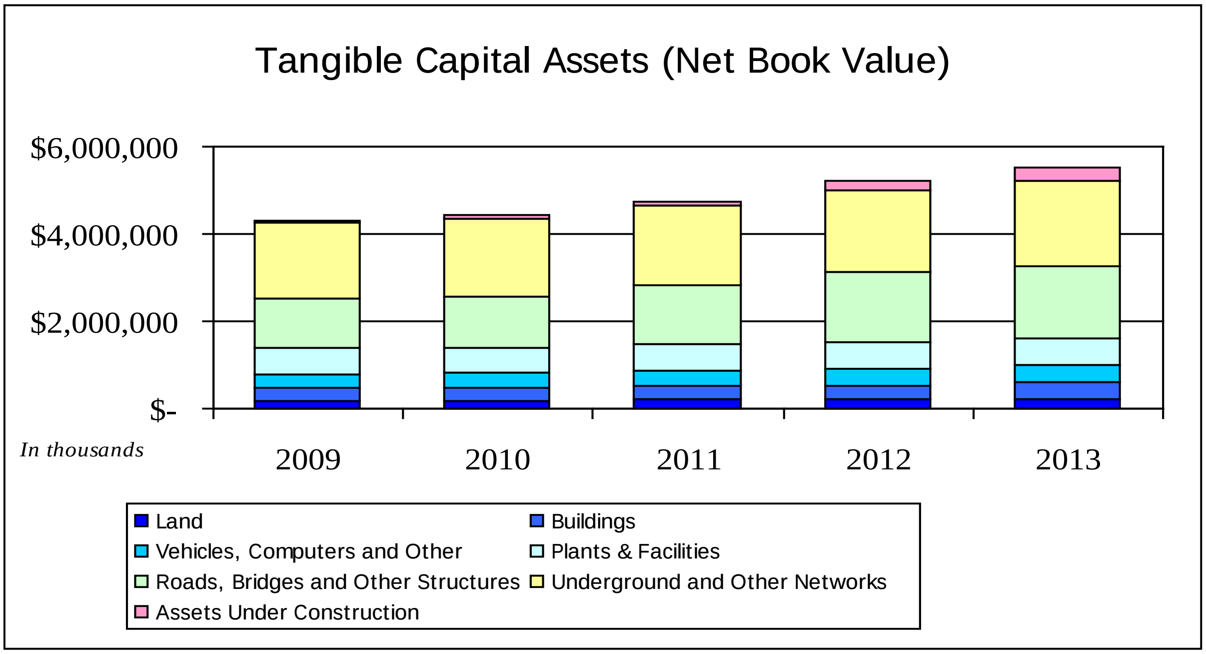
Net Financial Position



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, 2013, the City was in a net financial liability position of $411.1 million (2012 - $325.6 million). The change in net financial position during the year resulted primarily from increased accounts payable balances related to the construction of 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.



As indicated in the chart above, the City continues to invest in its infrastructure. 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 January 29, 2013, City Council adopted the 2013 annual capital budget and the 2014 to 2018 five-year forecast. The six-year plan authorizes $2.5 billion in City capital projects, with $374.7 million earmarked in 2013. Some of the projects included in the 2013 capital budget are: street projects of $109.1 million, including $30 million for Polo Park Area Infrastructure Improvements and $7.4 million for Molson Street twinning; $5 million for the East Elmwood Community Centre; and $7.2 million for community resource recovery facilities.

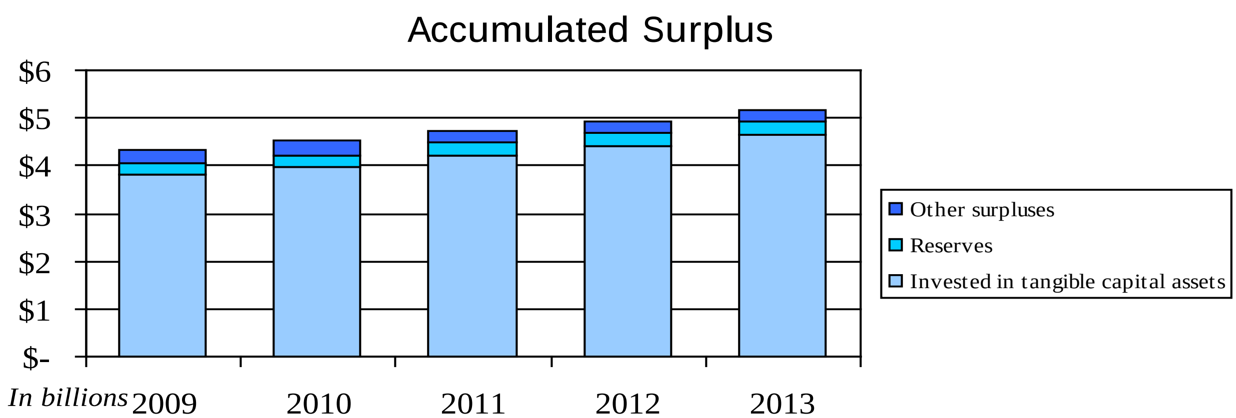
Also included in the capital investment plan over the six-year period is anticipated funding of $242.7 million under the Federal Gas Tax Agreement, $316.9 million of anticipated provincial funding and $458.9 million of cash funding.

During 2013, the City acquired $543.9 million of tangible capital assets (2012 - $654.0 million), including contributed roads and underground networks totaling $91.9 million (2012 - $72.2 million). These were capitalized at their fair value at the time of receipt. As well, of the assets acquired, $479.9 million was for tax-supported projects (73%). Spending on tax-supported projects was primarily on roads and bridges, a priority of City Council.

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 or annual surplus).

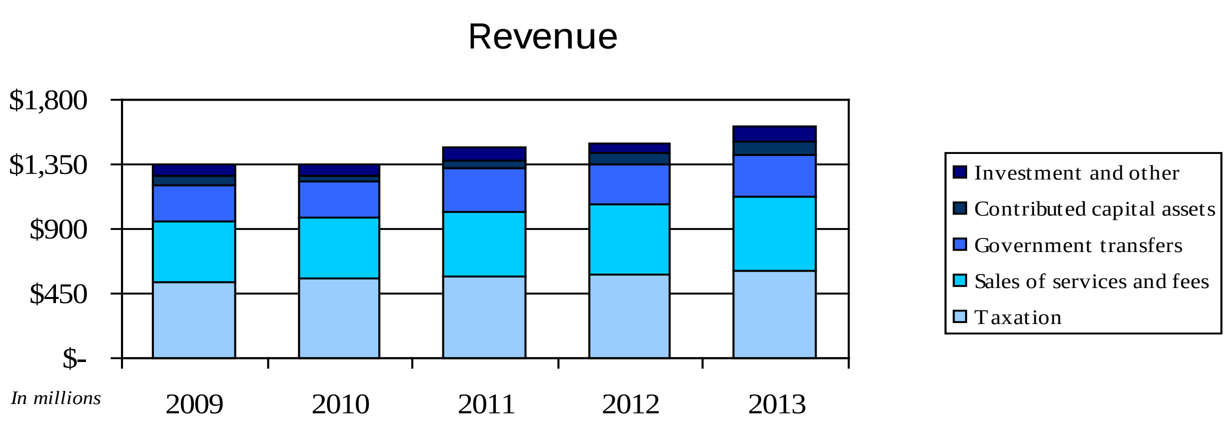
Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements, along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and legal liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2013 - 90%; 2012 - 90%). 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 ongoing operations.



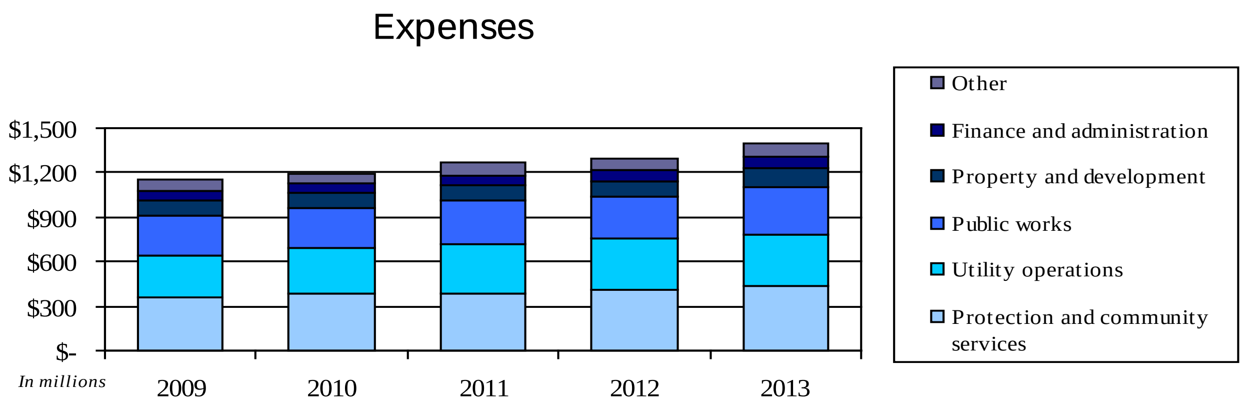
The City's accumulated surplus, through its investment in tangible capital assets, has grown over the period, indicating a strong foundation upon which services will continue to be delivered in the future.

Consolidated Statement of Operations

Financial statements should show how and where the government realizes its revenues. They provide information that is useful in gaining an understanding of a government's revenue sources and their relative contribution. They also report the nature and purpose of a government's expenses in the period, demonstrating the allocation and consumption of resources.



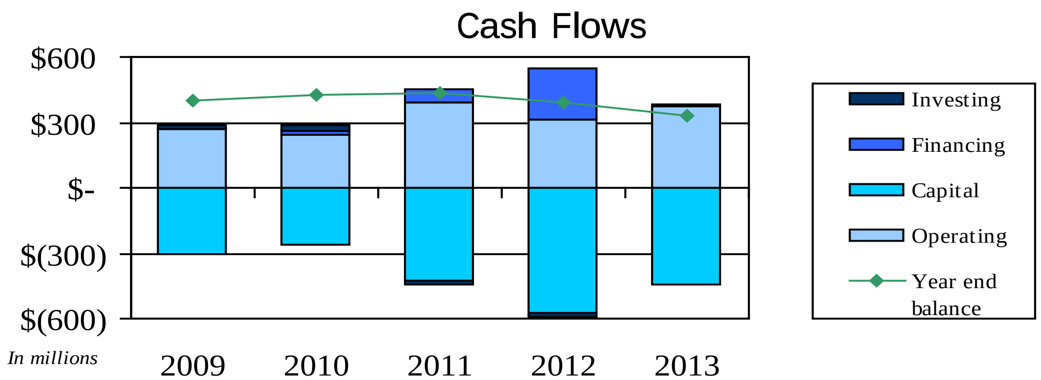
Beyond government transfers, the City has a good balance of revenue sources, with the majority regularly coming from taxation, sales of services and regulatory fees. PSAB has introduced indicators of financial condition to assist users of government financial statements to assess financial condition. Indicators of vulnerability measure a government's risk of over-dependency on sources of funding outside its control or influence or exposure to risks that could impair its ability to meet financial and service commitments. Over the five year period presented, government transfers as a percentage of total revenue has been stable ranging from 18 to 20%.



As the table above indicates, the City's protection and community services and public works expenses have increased over the five-year period presented, indicating City Council's priorities of public safety and roads.

Consolidated Statement of Cash Flows

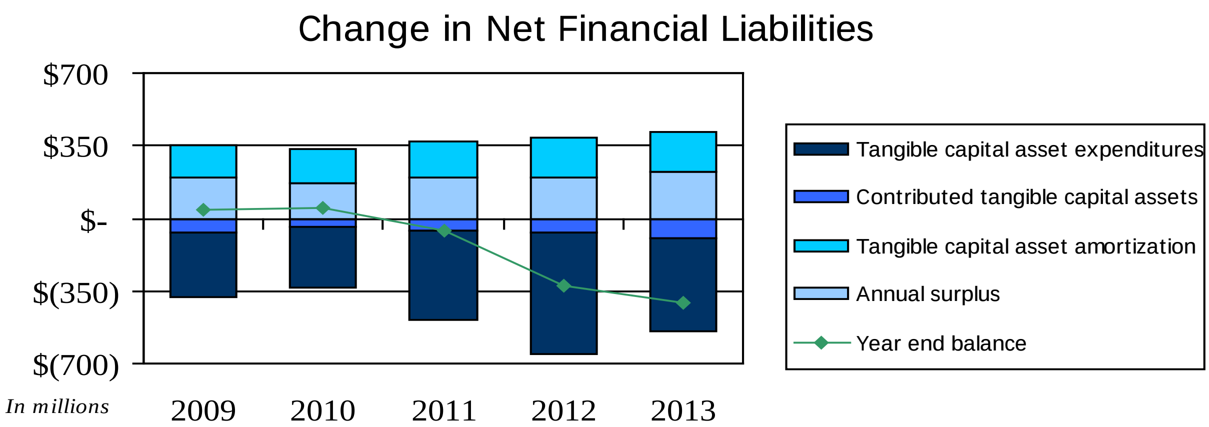
A government finances its activities and meets its obligations by generating revenues, through external borrowing and utilizing existing cash resources. Cash resources are generated and consumed through operating, capital, financing and investing activities.



Capital investments have been more significant over the past three years, financed largely through operations, which includes capital-related government transfers, and a responsible amount of debt. With the Disraeli Bridges design, build, finance and maintain project commissioned in 2012, higher tangible capital asset acquisitions and related debt, which includes the service concession arrangement, are noted in the chart above.

Consolidated Statement of Change in Net Financial Liabilities

As indicated earlier, net financial liabilities is an important measure for governments. Representing the difference between the government's liabilities and its financial assets readily available to satisfy those liabilities, this statement explains why this change differs from the annual surplus produced by the government.



As previously discussed, the City has been making higher investments in its infrastructure over the past three years, as is evident from the above chart. With the investments being made exceeding financial assets generated through operations, the City has partially financed this difference through the assumption of more debt.

Even though the City has assumed more debt in recent years, it has done so responsibly. This statement is reflected in the results of its credit rating review. Late in 2013, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was: "strong economic fundamentals, very positive liquidity position, and average but rising debt burden". However, S&P noted these strengths are offset somewhat by limited budgetary flexibility, which negatively affects budgetary performance, particularly after-capital balances. Moody's Investors Service announced in February 2014, it would also 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.

Another indictor of financial condition introduced by PSAB measures flexibility. Flexibility is the degree to which the City can issue more debt or increase taxes to meet its existing financial and service commitments. Even with the assumption of more debt, the City's public debt charges (interest expense)-to-revenues has remained constant over the past several years at a level between 0.03 to 0.04. This indicates the City has sufficient sources of revenue to meet its financial and service commitments. It also demonstrates the low interest rates on debt, reflecting the current market but also the City's strong credit rating.

Analysis of Statements

The following analysis provides enhanced detail on the Statements.

Accounts Receivable

The largest component of accounts receivable is trade accounts and other receivables at 57% (2012 - 53%). Approximately 36% 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 $400 thousand (2012 - $401 thousand).

As at December 31, 2013, property, payments-in-lieu and business tax receivables, net of the estimated allowance for uncollectible amounts, represented 18% (2012 - 17%) of total receivables. Taxation revenue is 38% (2012 - 39%) of total consolidated revenues.

Taxes Receivable
As at December 31

(in thousands of dollars)	2013	2012	2011	2010	2009
Taxes receivable	$ 49,592	$ 37,960	$ 34,747	$ 34,387	$ 30,036
Allowance for tax arrears	(3,694)	(3,351)	(2,629)	(3,080)	(3,784)
	$ 45,898	$ 34,609	$ 32,118	$ 31,307	$ 26,252

Investments

Investments
As at December 31

(in thousands of dollars)	2013	2012
Marketable securities		
Provincial	$ 5,750	$ 6,713
Municipal	68,482	75,726
	74,232	82,439
Manitoba Hydro long-term receivable	220,238	220,238
Other	12,346	1,172
	$ 306,816	$ 303,849
Market value of marketable securities	$ 73,892	$ 86,221

During 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale included annual payments commencing in 2002, which declined gradually to $16 million annually thereafter in perpetuity starting in 2011. 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 in 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

Debt As at December 31 (in thousands of dollars)	2013	2012
Sinking fund debentures	$ 658,000	$ 688,000
Equity in sinking funds	(195,237)	(264,037)
	462,763	423,963
Serial and installment debt	34,621	56,884
Bank, Province of Manitoba and other loans	109,263	116,427
Capital lease obligations	26,056	26,592
Service concession arrangement obligations	157,344	158,759
	790,047	782,625
Unamortized premium on debt	10,349	10,536
	$ 800,396	$ 793,161

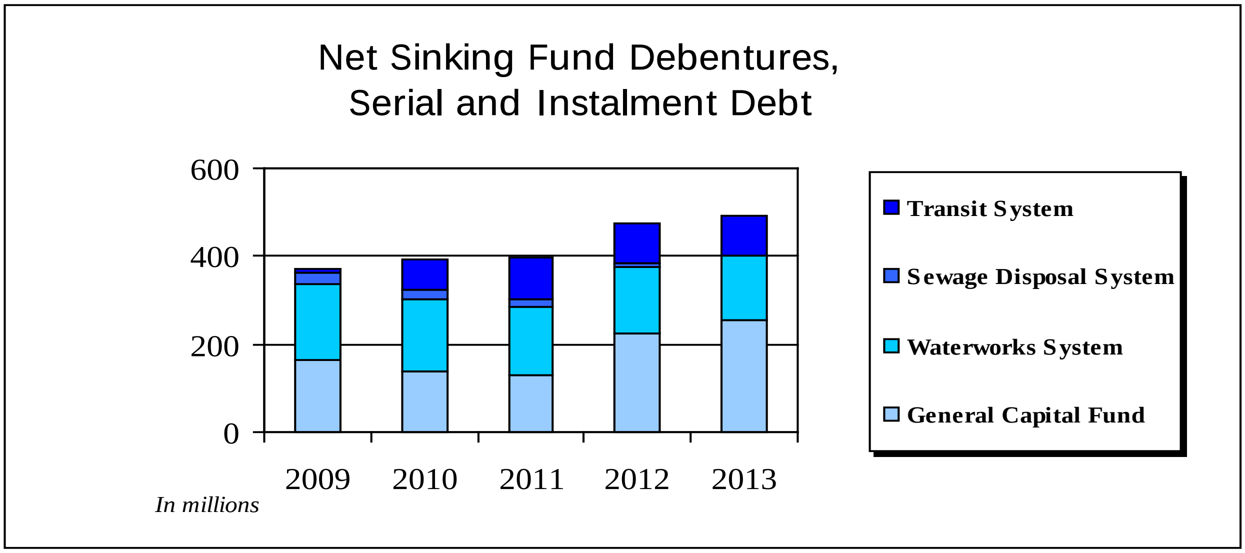
The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under The City of Winnipeg Charter, the City is required to make annual payments towards the retirement of sinking fund debt for which the City maintains two sinking funds. One of the 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. However, The Sinking Fund Trustees of the City of Winnipeg is projecting a sinking fund deficiency of $17 million for the November 2017 debt retirement (series VU,) due to the low interest rate environment which has persisted since the global economic crisis of 2008. This November 2017 maturity is the last issue that will be retired based on the securities actively managed by the Trustees.

The Sinking Fund Trustees of the City of Winnipeg also manage debt related to Winnipeg Hydro. Manitoba Hydro purchased Winnipeg Hydro in September 2002 and as part of the sales agreement, this sinking fund is required to hold Manitoba Hydro Electric Board bonds issued by Manitoba Hydro. These bonds were issued for the purpose of enabling the City to repay and defease the Winnipeg Hydro debt, having identical terms and conditions as to par value, interest and date of maturity as the debt. The bonds are guaranteed by the Province of Manitoba.

During 2013, the City issued a sinking fund debenture for $60 million. The debenture carries a 4.4% interest rate and will mature on November 15, 2051.

The City has also incurred serial and installment debt having varying maturities up to 2019, and carrying a weighted average interest rate of 4.5% (2012 - 4.7%). 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 totaling $7.4 million (2012 - $6.6 million) for several third parties. The City does not anticipate incurring future payments relating to these guarantees.



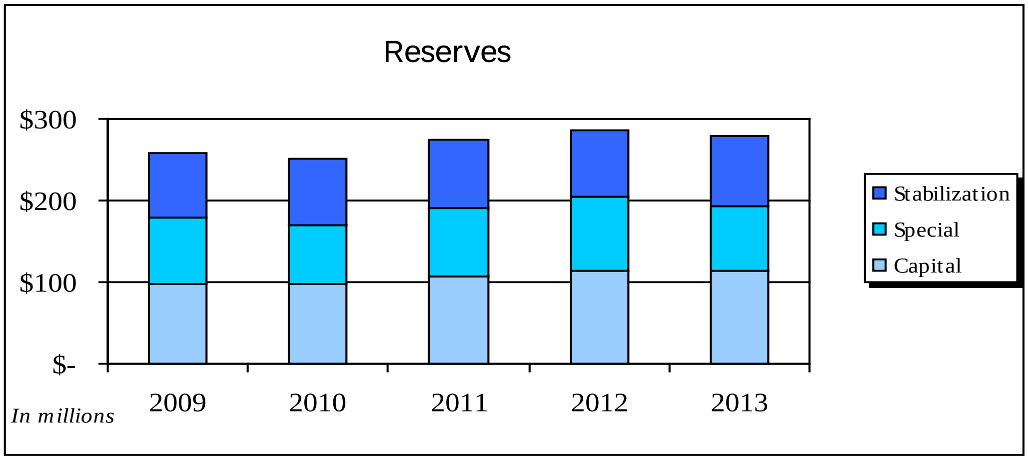
Liquidity is an important measure of an organization's ability to readily service its debt obligations. This is measured by a debt service coverage ratio, comparing free cash and liquid assets to annual debt servicing (principal and interest). The following table presents the last five years:

Debt Service Coverage Ratio	2013	2012	2011	2010	2009
Free Cash and Liquid Assets/ Debt Service	621.6%	577.2%	646.6%	528.90%	427.4%

The past two years have seen this ratio reduce somewhat, resulting from the City's higher investment made in tangible capital assets. In its recent credit rating report, Standard and Poor's commented that the City maintains very positive liquidity that even under their conservative base-case scenario, will remain strong.

Reserves

Reserve balances have decreased overall by $7.4 million (2012 - $10.5 million increase) from the prior year. The City's Special Purpose Reserves and Capital Reserves balances decreased by $12.4 million and $0.4 million respectively, while the Financial Stabilization Reserve increased by $5.4 million. Compared to the 2014 tax supported expense budget, the Financial Stabilization Reserve's accumulated surplus is projected to be $9.4 million (including projected net interest revenue) over its targeted level of 8% of the General Revenue Fund's adopted budget expenses. The City Council-adopted 2014 budget provides for a draw of up to $11.74 million into the General Revenue Fund. Should the Reserve's financial position not permit the full draw, the Public Service will review the implications of the resulting shortfall to the General Revenue Fund.



Effective January 1, 2013, a new reserve was established to track dedicated revenue for the sole purpose of funding the renewal of local streets, back lanes and sidewalks. The long-term proposal, subject to annual City Council approval, is to fund the Local Street Renewal Reserve Fund by dedicated annual 1% property tax increases over eight or nine years. In the ninth year, the funding from property tax increases would be exchanged with the current frontage levy. The current frontage levy is $3.75 per frontage foot, which is proposed to increase annually commencing in 2022 by $1.00 per frontage foot for approximately 13 years.

In the 2014 budget, a similar dedicated 1% tax was introduced to fund a new Regional Street Renewal Reserve. Approximately 80% of the traffic volume in the City occurs on 1,800 lane kilometres of regional streets. The long-term proposal, subject to annual City Council approval, is to dedicate annual 1% property tax increases for nine years, committed to the renewal of regional streets. After the ninth year, the property tax increase would drop to 0.25% to address construction inflation.

Consolidated Revenue and Expense Comparisons

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2013, on a comparative basis. The Statements indicate the City increased its accumulated surplus during the year because annual revenues exceeded expenses. The statements include a consolidated budget, which provides additional transparency and accountability.

During 2013, the City recorded consolidated revenues of $1.619 billion (2012 - $1.497 billion), which included government transfers and developer contributions-in-kind related to the acquisition of tangible capital assets. Consolidated expenses totaled $1.397 billion (2012 - $1.300 billion). As a result, the City's accumulated surplus increased by $0.222 billion (2012 - $0.197 billion).

Consolidated Revenues For the years ended December 31 (in thousands of dollars)	Budget 2013		Actual 2013		Actual 2012		Budget to Actual Variance	Actual to Actual Variance
Taxation	$ 603,944	38%	$ 611,813	38%	$ 587,578	39%	$ 7,869	$ 24,235
Sales of services and regulatory fees	512,215	33%	507,869	31%	483,339	32%	(4,346)	24,530
Government transfers - Operating	162,272	10%	161,337	10%	158,975	11%	(935)	2,362
Investment, land sales and							-	
other revenues	112,117	7%	115,435	7%	73,762	5%	3,318	41,673
Revenue before Other	1,390,548		1,396,454		1,303,654		5,906	92,800
Government transfers - Capital	133,192	9%	130,921	8%	121,262	8%	(2,271)	9,659
Developer contributions-in-kind	52,200	3%	91,883	6%	72,225	5%	39,683	19,658
	185,392		222,804		193,487		37,412	29,317
	$1,575,940		$1,619,258		$1,497,141		$ 43,318	$ 122,117

Revenues were higher in 2013 over 2012 by $122.1 million due to several factors. One of the major reasons was increased taxation revenues. Included in taxation revenues are municipal realty taxes, which increased by $21.1 million year-over-year due to assessment roll growth and a 3.9% increase in property tax rates.

In 2013, the City adopted a new accounting standard, PS 3510 Tax Revenue. In doing so, for the first time, the City recognized as tax revenue accruals for local improvements and property taxes not billed but owing. This accounting policy change was recognized retroactively with an adjustment of $12.7 million which was made to opening accumulated surplus.

Sales of services and regulatory fees rose over the prior year due to a $5.8 million increase reported in water and sewer sales resulting from increased rates. The Transit System realized $5.6 million more in revenue mostly related to a 1.3% increase in revenue-generating passengers. Regular cash fares also increased by five cents. Solid Waste Disposal also experienced $6.7 million more revenue than the prior year, mostly related to the full year collection of the waste diversion user fee.

The increased investment, land sales and other revenues can be primarily attributed to more land sales concluding than expected.

Developer contributions-in-kind exceeded budget and the prior year mainly because of continuing land development.

Government transfers related to tangible capital assets increased in 2013, mainly because of the funding provided to The Convention Centre Corporation for the expansion of the RBC Convention Centre.

This year, the new PS 3410 Government Transfers applied to the City. The Public Service undertook a comprehensive review of its agreements and processes concerning transfers made and received, concluding that there were no significant accounting implications associated with this updated accounting recommendation.

Consolidated Expenses For the years ended December 31 (in thousands of dollars)	Budget 2013		Actual 2013		Actual 2012		Budget to Actual Variance	Actual to Actual Variance
Protection and community services	$ 442,962	31%	$ 437,970	32%	$ 416,265	32%	$ 4,992	$ 21,705
Utility operations	367,386	26%	347,652	26%	338,028	26%	19,734	9,624
Public works	287,099	20%	312,680	22%	283,042	22%	(25,581)	29,638
Property and development	138,885	10%	131,994	8%	105,685	8%	6,891	26,309
Finance and administration	74,683	5%	72,926	5%	71,390	5%	1,757	1,536
Civic corporations	63,868	5%	54,783	4%	51,518	4%	9,085	3,265
General government	43,108	3%	38,795	3%	33,795	3%	4,313	5,000
	$1,417,991		$1,396,800		$1,299,723		$ 21,191	$ 97,077

Consolidated expenses grew by $97.1 million or 7.5% from the previous year and was $21.1 million under budget. 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 over the previous year.

The utility operations' expenses were $19.7 million less than budgeted. One of the reasons for this is that costs in some of the Sewage Disposal System Fund's programs such as the "Basement Flooding Protection Subsidy Program" and landfill tipping fees were lower than expected. As well, the utilities were under budget on their salaries and benefits expense.

Public works experienced higher snow clearing and ice control costs compared to budget and the prior year's results.

Property and development expenses increased over the prior year mostly due to grants made in support of Investors Group Field and the Active Living Centre on the University of Manitoba Campus, as well as the Homelessness Partnership Strategy.

Consolidated Expenses By Object For the years ended December 31 (in thousands of dollars)	2013		2012		Variance
Salaries and benefits	$ 730,133	52%	$ 695,849	54%	$ 34,284
Goods and services	376,614	27%	344,217	26%	32,397
Amortization	198,106	14%	188,432	15%	9,674
Interest	54,732	4%	53,587	4%	1,145
Other expenses	37,215	3%	17,638	1%	19,577
	$1,396,800		$1,299,723		$ 97,077

Increases in salaries and benefits expense resulted primarily from a greater number of police officers and cadets added to the service, negotiated pay increases and increased contributions for pension benefits. Other expenses are higher for various reasons including increased grants paid to community groups in 2013.

Goods and services expenses increased over the prior year largely due to increased costs related to snow clearing and ice control.

Risks and Risk Mitigation

Comprehensive Asset Management

The City faces a very significant infrastructure deficit to address infrastructure needs relating to roads, sidewalks, transit, buildings and parks, that will require $7.4 billion of investment over the next 10 years. To assist in addressing this issue the City is utilizing the aforementioned dedicated property taxes for local and regional roads (1% each). As well, the City has committed to comprehensive asset management as a key initiative to help address challenges associated with infrastructure maintenance and development and to set 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 to minimize the impact on future capital program budgets.

Capital Project Management

One of the major functions of the City is the delivery on capital investments. This past year alone the City invested $0.5 billion in tangible capital assets, rehabilitating and investing in new assets such as roads, bridges and buildings. Tangible capital assets serve as key components to service delivery. While there have been recent examples of excellent project management in the delivery of major projects such as Phase 1 of the Southwest Transit Corridor, Chief Peguis Trail Extension and Disraeli Bridges, there have been challenges on others, for example the Fire Paramedic Stations Construction Project. The City understands the value derived from strong project management and has been working diligently to mitigate against capital project delivery problems associated with time, budget and scope.

- The Public Service has been vigilant in the establishment of Major Capital Project Steering Committees who ensure project risks are being appropriately identified and addressed. As well, regular reporting to the Standing Policy Committee on Finance enhances public transparency.

- The City is transitioning to a system where all capital budget submissions for projects greater than $100,000 requires a supporting business case that can be challenged on the basis of need (level of service and risk), assumptions and recommended solutions.

- During the course of the year, City Council requested the external review of the Fire Paramedic Stations Construction Project. The review provided a series of recommendations, approved by City Council. The Public Service has developed an implementation plan which includes periodic reporting to City Council.

- A comprehensive Project Management manual is in the process of being finalized for implementation in 2014. This manual has been a high priority for the City, involving external consultants and City staff across the City in its development.

Financial Management Plan

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. This review established 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.

Debt Strategy

To help manage debt responsibly and transparently, on June 22, 2011, City Council approved a debt strategy for the City. The following table provides the City Council-approved limits, the debt metrics as at December 31, 2013, and the forecasted peak based on the City Council-approved borrowing and 2014 Capital Budget and Five-Year Forecast:

Debt Metrics	Maximum	As At December 31, 2013	Forecasted Peak
Debt as a % of revenue			
City	85.0%	45.5%	69.4%
Tax-supported and other funds	60.0%	46.4%	56.2%
Self-supporting utilities	220.0%	55.4%	155.4%
Debt-servicing as a % of revenue			
City	11.0%	7.0%	7.0%
Tax-supported and other funds	10.0%	6.6%	6.6%
Self-supporting utilities	20.0%	9.9%	12.6%
Debt per capita			
City	$2,050	$1,107	$1,825
Tax-supported and other funds	$1,050	$842	$1,047
Self-supporting utilities	$950	$226	$713

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.

Amendments to the debt strategy are currently being reviewed by the Public Service for City Council's consideration.

Employee Benefit Programs

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 has two major plans - The Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan. The Winnipeg Civic Employees' Benefits Program has similar characteristics to a defined contribution pension plan in that it is a multi-employer benefits program 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 recently 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 of 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 in 2013 was 21.3% of pensionable earnings.

The Winnipeg Police Pension Plan (the "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, 2013 the market value of this pension fund's assets was $1,120.2 million (2012 - $953.3 million), which is $72.5 million more (2012 - $27.1 million less) than the accrued pension obligation.

The cost of benefits accruing under this Plan represent 23.1% of pensionable earnings, of which the employees' contribute 8% of earnings. In accordance with Provincial pension legislation, the Plan's Contribution Stabilization Reserve can be used to reduce the City’s contributions to match the employees' contributions if this reserve is in excess of 5% of the Plan’s solvency liabilities. The balance in the Contribution Stabilization Reserve has been below this threshold since May 2012. Therefore, the City is contributing the balance of the cost - that is, 15.1% of pensionable earnings.

An actuarial valuation of the Plan as of December 31, 2013 is to be prepared and filed with the Pension Commission of Manitoba in 2014. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. It is anticipated that the actuarial valuation will show that the Plan has a solvency deficiency at December 31, 2013 under this wind-up scenario. This deficiency would need to be addressed over the next five years by the City, either through an increase in contributions starting in 2014, or by obtaining a letter of credit with face value equal to the value of additional contributions cumulatively required. City Council has previously approved the letter of credit option and has obtained a letter of credit for $39.7 million with respect to the December 2012 valuation. To the extent that the current letter of credit exceeds the revised and updated funding requirements, the face value of the letter of credit may be reduced.

The City's group life insurance plan ("GLIP") was established in 1975 and is comprised of two separate plans; the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan. The GLIP historically treated its income as non-taxable since the net assets were considered to be an an extension of the City's government. However, as a result of enquiries from one of the GLIP's investment managers seeking confirmation of this, the City engaged a tax professional to review the tax status of the GLIP. The review determined the GLIP may not be tax exempt and the City then voluntarily approached the Canada Revenue Agency ("CRA") to discuss the issue. CRA informed the City that, in its view, the assets held in the two plans constitute trust funds and, therefore the income should be considered taxable. CRA granted the GLIP tax-exempt status until the end of December 2013. The City is reviewing restructuring options for the GLIP with its tax advisors and is in discussions with CRA with a view to maintaining the GLIP's tax-exempt status.

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.

The 2005 to 2013 capital budgets for the utilities and their 2014 to 2018 capital forecasts anticipate $776.0 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 Sewage Treatment Plants. In 2011 "The Save Lake Winnipeg Act" (Bill 46) was passed, which further enforces limits and imposes treatment options for the North End Sewage Treatment Plant. In 2013, an additional licence was issued under the Environment Act which governs combined sewers and overflow structures. 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 the compliance requirements.

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 City's average, risk adjusted, long-term, borrowing rate.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve (which had a balance of $67.3 million at December 31, 2013), the Canada Strategic Infrastructure Fund, the Green Infrastructure Fund and accumulated surplus.

Labour Negotiations

For the year ended December 31, 2013, 52% (2012 - 54%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,143, the majority being represented by the eight unions and associations noted as follows:

Union/Association	Average Annual Headcount	Agreement Expiry Date
ATU	1,360	January 17, 2015
CUPE	4,620	December 27, 2014
MGEU	328	February 13, 2014
UFFW	917	December 24, 2016
WAPSO	643	October 11, 2015
WFPSOA	45	August 23, 2014
WPA	1,962	December 23, 2016
WPSOA	35	December 19, 2012
Other (non-union/association)	233	Not applicable

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.

Corporate Risk Management Division

The City has a separate Risk Management Division reporting to the Chief Financial Officer. This division provides service designed to protect the City's assets. This is achieved by reducing exposure to losses through risk control measures. Working with City departments and SOA's, this division strengthens the City's long-term financial performance through the development and provision of a solid framework of risk management and loss control techniques based on an informed balance of risk and cost. Understanding the risks allows the City to measure and prioritize them, supporting appropriate actions to reduce losses.

Financial Accountability

Audit Department

The City's Audit Department plays a key role in providing independent assurance regarding the performance of civic services in support of open, transparent and accountable government. In the fall of 2012, the Audit Department was requested to manage operational reviews of the Public Works Department and the Winnipeg Police Service. In October 2013 the Operational Review of The Public Works Department was reported to City Council and in November 2013 the Operational Review of the Winnipeg Police Service was reported to the Winnipeg Police Board. Also in October 2013, an external firm hired by the Audit Department, reported on the Review of the Fire Paramedic Stations Construction Project to City Council.

During 2013, the Audit Department also completed and reported on performance audits of Non-Monetary Real Estate Grants, a Safety Review of the City of Winnipeg Aquatics Services, and Winnipeg Police Service Civilianization. All of these reports can be found on the City's website.

In 2013, accessibility to the City's Fraud and Waste Hotline was expanded to include access to citizens. This initiative reflects the City's proactive efforts to ensure and demonstrate its commitment to corporate accountability, transparency, responsibility, and sound and ethical operating practices. It supports a high level of integrity of City employees in the workplace, and also protects City property, resources and information. The Hotline is a confidential and anonymous service that accepts reports 24 hours a day, 7 days a week.

A number of significant reviews from 2013 are in progress including additional follow-up reviews on the Fire Paramedic Stations Construction Project and a review of the City's management of real estate.

Budget Process

Prepared by the Public Service for consideration by City Council, budgets are used extensively throughout the City. Each year, both an operating and a capital budget are approved by City Council. Both budgets contain multi-year views. The capital budget includes six years of budget information, including the current-year adopted budget and five forecast years. The operating contains three years of budget information, including the current-year adopted budget and two forecast years. The 2014 budget includes a 2013 consolidated budget that is prepared on the same basis as the consolidated financial statements.

The budget process provides opportunity for public input. Executive Policy Committee ("EPC"), which is a committee of City Council, is responsible for budget development. The Preliminary 2013 - 2015 Operating Budget and the 2013 Preliminary Capital Budget and 2014 - 2018 Five-Year Forecast were tabled at a meeting of EPC on January 9, 2013. This was the first time both budgets were tabled together. The combined tabling of the budget documents allows for better integration and streamlining of the budget process. It also facilitates an earlier adoption of the operating budget.

In 2013, the City engaged MNP to conduct public consultation with a view to helping shape the direction of the City's 2014 budget. The consultation process provided many ways for citizens to have their say including public forums, workshop sessions, on-line survey, written submissions and feedback through social media, such as Twitter.

Looking Forward

2014 Operating and Capital Budgets

On December 17, 2013, City Council adopted both budgets for The City of Winnipeg – the 2014 capital and operating budget. In addition, the 2015-2019 capital forecast was approved in principle and the 2015 and 2016 operating projections were received as the preliminary financial plan for those years.

The 2014 capital budget and the 2015 to 2019 five-year forecast authorizes over $2.7 billion in City capital projects, with $379.5 million earmarked in 2014. Some of the projects included in the 2014 capital budget are $84.2 million for regional and local streets renewal including an additional $10 million in Polo Park Area Infrastructure Improvements; investments in Parks and Recreation, including $1 million for active transportation corridors, $1 million for reforestation improvements and $1 million for athletic fields improvements; and a new parks and recreation enhancement program including $6.3 million in funding. Section 284(2) of The City of Winnipeg Charter requires that before December 31st of each fiscal year, City Council must adopt a capital budget for that year and a capital forecast for the next five fiscal years.

The 2014 operating budget includes a 1.0% property tax increase dedicated to establish a new reserve named the Regional Street Renewal Reserve, and continues a 1.0% increase dedicated to the Local Street Renewal Fund. As well, a 0.95% property tax increase was approved to address inflationary pressures and increased service costs. The 2014 budget plan also includes the continuation of the small business tax credit program to provide a full municipal business tax rebate for 41% of all businesses. The budget remains focused on the continuing priorities of public safety and city streets. Section 284(1) of The City of Winnipeg Charter requires City Council to approve the budget before March 31st of each fiscal year.

In 2014, the City engaged Dialogue Partners to lead its budget consultation process. "Our Budget Forward" will provide several means for citizens to give their input into the 2015 budget.

General Revenue Fund - Budget For the years ended December 31 (in thousands of dollars)	2014	2013	2012	2011	2010
Revenues					
Property tax	$ 510,569	$ 482,885	$ 459,564	$ 435,934	$ 431,113
Government transfers	113,763	113,050	113,265	106,106	102,768
Sale of goods and services	64,486	67,788	62,761	58,146	76,142
Street renewal frontage levy	67,121	63,363	70,072	71,726	63,198
Business tax	59,688	58,371	57,584	57,584	57,584
Transfer from other funds	56,787	46,586	52,309	38,203	40,631
Regulation fees	43,227	40,852	37,634	36,540	35,385
Interest	11,228	11,432	11,394	9,245	10,142
Other	42,315	38,345	35,377	33,840	723
	969,184	922,672	899,960	847,324	817,686
Expenses					
Police service	259,113	242,548	220,184	202,173	189,909
Public works	187,638	181,976	169,043	170,157	161,509
Fire paramedic service	167,801	167,888	154,750	143,013	137,648
Community services	122,838	111,691	112,793	100,479	103,479
Corporate	60,284	48,825	59,166	63,891	59,437
Planning, property and development	40,554	42,064	41,221	38,353	38,791
Water and waste	31,110	33,703	44,052	34,695	33,823
Corporate support services	33,038	31,147	31,312	30,899	33,079
Assessment and taxation	19,623	18,209	25,572	23,841	22,565
Street lighting	11,970	11,618	11,100	10,685	10,854
City clerk's	13,465	10,930	10,897	10,316	11,913
Corporate finance	9,310	9,412	8,547	8,074	7,543
Other departments	12,440	12,661	11,323	10,748	7,136
	969,184	922,672	899,960	847,324	817,686
	$ -	$ -	$ -	$ -	$ -

Prior year figures have not been reclassified to conform with the 2014 figures.

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 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 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.

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

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
May 14, 2014

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Winnipeg MB R3B 0X3
Canada

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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, 2013 and the consolidated statements of operations and accumulated surplus, change in net financial liabilities 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, 2013, 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

May 14, 2014

Winnipeg, Canada

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2013	2012
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	**$ 329,661**	$ 392,041
Accounts receivable (Note 4)	**260,602**	208,579
Land held for resale	**14,689**	13,664
Investments (Note 5)	**306,816**	303,849
Investment in government businesses (Note 6)	**35,812**	31,446
	947,580	949,579
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**263,681**	205,789
Deferred revenue (Note 8)	**61,101**	55,079
Debt (Note 9)	**800,396**	793,161
Other liabilities (Note 10)	**57,148**	56,990
Accrued employee benefits and other (Note 11)	**176,317**	164,165
	1,358,643	1,275,184
NET FINANCIAL LIABILITIES	**(411,063)**	(325,605)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	**5,537,163**	5,203,625
Inventories	**16,365**	15,977
Prepaid expenses and deferred charges	**5,198**	18,511
	5,558,726	5,238,113
ACCUMULATED SURPLUS (Note 14)	**$ 5,147,663**	$ 4,912,508

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 2013 (Note 23)	Actual 2013	Actual 2012
REVENUES			
Taxation (Note 16)	**$ 603,944**	**$ 611,813**	$ 587,578
Sales of services and regulatory fees (Note 17)	**512,215**	**507,869**	483,339
Government transfers (Note 18)	**162,272**	**161,337**	158,975
Investment income	**37,741**	**37,914**	40,865
Land sales and other revenue (Note 6)	**74,376**	**77,521**	32,897
Total Revenues	**1,390,548**	**1,396,454**	1,303,654
EXPENSES			
Protection and community services	**442,962**	**437,970**	416,265
Utility operations	**367,386**	**347,652**	338,028
Public works	**287,099**	**312,680**	283,042
Property and development	**138,885**	**131,994**	105,685
Finance and administration	**74,683**	**72,926**	71,390
Civic corporations	**63,868**	**54,783**	51,518
General government	**43,108**	**38,795**	33,795
Total Expenses (Note 19)	**1,417,991**	**1,396,800**	1,299,723
Annual Surplus (Deficit) Before Other	**(27,443)**	**(346)**	3,931
OTHER			
Government transfers related to capital (Note 18)	**133,192**	**130,921**	121,262
Developer contributions-in-kind related to capital (Note 13)	**52,200**	**91,883**	72,225
	185,392	**222,804**	193,487
Annual Surplus	**$ 157,949**	**222,458**	197,418
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
As previously reported		**4,912,508**	4,715,090
Change in accounting policy (Note 2p) ii))		**12,697**	-
As restated		**4,925,205**	4,715,090
ACCUMULATED SURPLUS, END OF YEAR		**$ 5,147,663**	$ 4,912,508

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)

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	**$ 222,458**	$ 197,418
Non-cash charges to operations		
Amortization	**198,106**	188,432
Developer contributions-in-kind related to capital	**(91,883)**	(72,225)
Other	**9,251**	9,862
	337,932	323,487
Net change in non-cash working capital balances related to operations	**36,488**	(14,205)
Cash provided by operating activities	**374,420**	309,282
CAPITAL		
Acquisition of tangible capital assets	**(452,055)**	(581,768)
Proceeds on disposal of tangible capital assets	**11,821**	4,462
Cash used in capital activities	**(440,234)**	(577,306)
FINANCING		
Decrease (increase) in sinking fund investments	**68,800**	(21,509)
Debenture and serial debt retired	**(112,450)**	(21,448)
Sinking fund and serial debenture issued	**60,000**	137,784
Service concession arrangements (retired) financed	**(1,415)**	109,362
Other	**(7,700)**	32,820
Cash provided by financing activities	**7,235**	237,009
INVESTING		
Increase of investments	**(3,801)**	(14,290)
Cash used in investing activities	**(3,801)**	(14,290)
Decrease in cash and cash equivalents	**(62,380)**	(45,305)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**392,041**	437,346
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 329,661**	$ 392,041

See accompanying notes and schedules to the consolidated financial statements

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Budget 2013 (Note 23)	Actual 2013	Actual 2012
ANNUAL SURPLUS	**$ 157,949**	**$ 222,458**	$ 197,418
Amortization of tangible capital assets	**195,368**	**198,106**	188,432
Proceeds on disposal of tangible capital assets	**4,500**	**11,821**	4,462
Loss on sale of tangible capital assets	**925**	**473**	5,269
Change in inventories, prepaid expenses and deferred charges	**(3,500)**	**12,925**	(12,017)
Tangible capital assets received as contributions	**(52,200)**	**(91,883)**	(72,225)
Acquisition of tangible capital assets	**(466,250)**	**(452,055)**	(581,768)
INCREASE IN NET FINANCIAL LIABILITIES	**(163,208)**	**(98,155)**	(270,429)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR			
As previously reported	**(325,605)**	**(325,605)**	(55,176)
Change in accounting policy (Note 2p) ii))	**-**	**12,697**	-
As restated	**(325,605)**	**(312,908)**	(55,176)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (488,813)**	**$ (411,063)**	$ (325,605)

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

ii) Government businesses

The investments in North Portage Development Corporation and River Park South Developments Inc. are reported as government business partnerships 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) Cash equivalents

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

d) 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.

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.

f) Unamortized premium on debt

Debt is reported at face value and is adjusted by premiums which are amortized on a straight-line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded as interest expense.

g) 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 is charged to expenses as the landfill site's capacity is used.

h) Environmental provisions

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

2. *Significant Accounting Policies (continued)*

i) 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.

j) 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.

In the case of the Winnipeg Police Pension Plan, this plan’s by-law provides that, in the event of a funding surplus or deficiency, within certain prescribed constraints, the contribution stabilization reserve will be utilized and amendments made to the rate of cost-of-living adjustments to pensions according to specific rules set out in the by-law. Consequently, actuarial gains and losses are recognized immediately to the extent that they are offset by changes in the contribution stabilization reserve and changes in the plan’s accrued benefit obligation for future cost-of-living adjustments to pensions.

k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the consolidated change in net financial liabilities 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 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 facilities	
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 other 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 arrangements

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.

l) Tax revenues

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

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, no tax revenue is recognized in these consolidated financial statements for amounts collected on behalf of school divisions, nor are the revenues, expenses, assets and liabilities with respect to the operations of the school boards.

2. *Significant Accounting Policies (continued)*

Property taxation revenue is based on market assessments that are subject to appeal therefore, a provision has been estimated for assessment appeals outstanding as at December 31. As well, estimates have been made of property tax amounts owing for prior years that have not yet been assessed at the end of the current fiscal year. By their nature, these estimates are subject to measurement uncertainty and the impact on future financial statements could be material (Note 2n).

m) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

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 requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

n) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions in 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.

o) Budget

The 2013 budget is included on the consolidated statements of operations and accumulated surplus and change in net financial liabilities. The budget is compiled from the City Council-approved Operating Budget, estimates for controlled entities, adjustments to report the budget on a full accrual basis including capital revenue adjustments, assets capitalized on the statement of financial position, amortization of tangible capital assets and accruals for unfunded liabilities and administrative adjustments to provide for proper comparison to actual results presented herein.

p) Accounting Policy Changes

i) Government transfers

The Public Sector Accounting Board issued an updated standard, PS 3410 Government Transfers. The new standard applies to the City for the fiscal year beginning January 1, 2013 and, as such, has been utilized for the preparation of these consolidated financial statements. Application of this standard has not resulted in any change to the opening balance of accumulated surplus.

ii) Tax revenues

The Public Sector Accounting Board also issued a new accounting standard, PS 3510 Tax Revenue. The new standard applies to the City for the fiscal year beginning January 1, 2013 and, as such, has been utilized for the preparation of these consolidated financial statements. As permitted, this standard has been applied retroactively with an adjustment to the opening balance of the accumulated surplus. The impacts are the first-time accrual for local improvements and for property taxes not billed but owing as of the end of the fiscal year.

3. *Cash and Cash Equivalents*

		2013		2012
Cash	**$**	**19,334**	$	11,894
Cash equivalents		**310,327**		380,147
	$	**329,661**	$	392,041

The average effective interest rate for cash equivalents at December 31, 2013 is 1.3% (2012 - 1.3%).

Cash and cash equivalents exclude $315.5 million (2012 - $109.7 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 $37.8 million (2012 - $41.2 million).

4. *Accounts Receivable*

		2013		2012
Property, payments-in-lieu and business taxes receivable	**$**	**49,592**	$	37,960
Allowance for property, payments-in-lieu and business tax arrears		**(3,694)**		(3,351)
		45,898		34,609
Trade accounts and other receivables		**148,427**		110,503
Province of Manitoba		**60,623**		51,182
Government of Canada		**15,933**		21,280
Allowance for doubtful accounts		**(10,279)**		(8,995)
		214,704		173,970
	$	**260,602**	$	208,579

5. *Investments*

		2013		2012
Marketable securities				
Provincial bonds and bond coupons	**$**	**5,750**	$	6,713
Municipal bonds		**68,482**		75,726
		74,232		82,439
Manitoba Hydro long-term receivable		**220,238**		220,238
Other		**12,346**		1,172
	$	**306,816**	$	303,849

a) Marketable securities

The aggregate market value of marketable securities at December 31, 2013 is $73.9 million (2012 - $86.5 million) and their maturity dates range from 2014 to 2043.

b) Manitoba Hydro long-term receivable

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.

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:

	2013	2012
Financial position		
Property, plant and equipment and investment in properties and infrastructure enhancements	**$ 71,248**	$ 75,171
Short-term investments	**14,878**	12,536
Other assets	**2,037**	3,565
	$ 88,163	$ 91,272
Deferred contributions from shareholders	**$ 15,961**	$ 17,179
Long-term mortgage payable	**11,355**	11,753
Current and other liabilities	**4,305**	5,337
	31,621	34,269
Net equity	**56,542**	57,003
	$ 88,163	$ 91,272

	2013	2012
Comprehensive income		
Revenues	**$ 10,826**	$ 11,075
Expenses	**9,282**	9,472
Operating income before the following	**1,544**	1,603
Interest expense	**(691)**	(718)
Amortization	**(2,532)**	(2,381)
Other	**2,616**	883
Discontinued Operations	**(1,398)**	0
Net loss for the year	**$ (461)**	$ (613)

b) River Park South Developments Inc.

On April 21, 2011, the City and Qualico Developments (Winnipeg) Ltd. entered into an agreement to jointly develop and sell residential land owned by the partners in the River Park South community of Winnipeg.

6. Investment in Government Businesses (continued)

The condensed supplementary financial information of River Park South Developments Inc. is as follows:

		2013		2012
Financial position				
Assets	**$**	**33,797**	$	27,004
Liabilities and Equity	**$**	**33,797**	$	27,004

		2013		2012
Comprehensive income				
Land sales	**$**	**18,244**	$	19,212
Cost of sales		**8,836**		10,032
Operating income before the following		**9,408**		9,180
Interest and other income		**234**		149
Other expenses and adjustments		**(1,438)**		(1,359)
Net income for the year	**$**	**8,204**	$	7,970

c) 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:

		2013		2012
Financial position				
Capital assets	**$**	**25,457**	$	26,925
Current and other assets		**7,258**		6,505
	$	**32,715**	$	33,430
Long-term debt	**$**	**23,150**	$	24,568
Current and other liabilities		**4,304**		4,019
		27,454		28,587
Replacement Reserves		**4,377**		4,011
WHRC Building and Acquisition Reserve		**1,046**		1,026
Unrestricted deficit		**(162)**		(194)
		5,261		4,843
	$	**32,715**	$	33,430

6. *Investment in Government Businesses (continued)*

	2013	2012
Results of operations		
Revenues	**$ 7,784**	$ 7,656
Expenses	**7,752**	7,568
Excess of revenues over expenses for the year	**32**	88
Change to Replacement Reserves during the year	**366**	231
Change to WHRC Building and Acquisition Reserve during the year	**20**	33
Net income for the year	**$ 418**	$ 352

During the year, the City paid WHRC an operating grant of $195 thousand (2012 - $200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2012 - $2.0 million). As at March 31, 2013, WHRC has utilized $167 thousand of this line of credit (2012 - $585 thousand).

Summary of investment in government businesses

	2013	2012
North Portage Development Corporation (1/3 share)	**$ 18,847**	$ 19,001
River Park South Developments Inc. (1/2 share)	**11,704**	7,602
Winnipeg Housing Rehabilitation Corporation	**5,261**	4,843
	$ 35,812	$ 31,446

Summary of results of operations

	2013	2012
North Portage Development Corporation (1/3 share)	**$ (154)**	$ (291)
River Park South Developments Inc. (1/2 share)	**4,102**	3,985
Winnipeg Housing Rehabilitation Corporation	**418**	352
	$ 4,366	$ 4,046

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

7. *Accounts Payable and Accrued Liabilities*

	2013	2012
Accrued liabilities	**$ 137,466**	$ 97,688
Trade accounts payable	**116,459**	94,843
Accrued interest payable	**9,756**	13,258
	$ 263,681	$ 205,789

8. *Deferred Revenue*

	2013	2012
Federal gas tax transfer	**$ 22,900**	$ 28,924
Province of Manitoba	**21,997**	15,433
Other	**16,204**	10,722
	$ 61,101	$ 55,079

9. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	2013	2012
1993-2013	Feb. 11	9.375	VN	6090/93	$ -	$ 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	183/04, and 72/06	**60,000**	60,000
2008-2036	July 17	5.200	VZ	72/06B and 32/07	**100,000**	100,000
2010-2041	June 3	5.150	WB	183/08	**60,000**	60,000
2011-2051	Nov. 15	4.300	WC	72/06, 183/08 and 150/09	**50,000**	50,000
2012-2051	Nov. 15	3.853	WC	93/11	**50,000**	50,000
2012-2051	Nov. 15	3.759	WC	120/09, 93/11 and 138/11	**75,000**	75,000
2013-2051	Nov. 15	4.391	WC	93/11 and 84/13	**60,000**	-
					658,000	688,000
Equity in The Sinking Funds (Notes 9a and b)					**(195,237)**	(264,037)
Net sinking fund debentures outstanding					**462,763**	423,963

Other debt outstanding

	2013	2012
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.52% (2012 - 4.70%)	**34,621**	56,884
Bank loans, Province and other with varying maturities up to 2026 and a weighted average interest rate of 3.04% (2012 - 2.90%)	**109,263**	116,427
Capital lease obligations (Note 9c)	**26,056**	26,592
Service concession arrangement obligations (Notes 9d and 15d)	**157,344**	158,759
	790,047	782,625
Unamortized premium on debt (Note 9e)	**10,349**	10,536
	$ 800,396	$ 793,161

Debt segregated by fund/organization:

	2013	2012
General Capital Fund	**$ 456,709**	$ 430,019
Waterworks System	**147,823**	154,529
Transit System	**87,872**	91,180
Special operating agencies and other	**84,394**	86,525
Solid Waste Disposal	**11,651**	13,025
Sewage Disposal System	**1,598**	7,347
	$ 790,047	$ 782,625

9. *Debt (continued)*

Debt to be retired over the next five years:

	2014	2015	2016	2017	2018	2019+
Sinking fund debentures	$ 85,000	$ 88,000	$ -	$ 30,000	$ -	$ 455,000
Other debt	38,713	21,529	28,945	16,988	16,350	204,759
	$ 123,713	$ 109,529	$ 28,945	$ 46,988	$ 16,350	$ 659,759

a) As at December 31, 2013, sinking fund assets have a market value of $208.1 million (2012 - $270.9 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 $28.3 million (2012 - $28.1 million) and a market value of $28.7 million (2012 - $29.4 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 between 1 to 3% 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
2014	$ 2,476
2015	2,476
2016	2,476
2017	2,502
2018	2,553
Thereafter	35,026
Total future minimum lease payments	47,509
Amount representing interest at a weighted average rate of 8.18%	(21,453)
Capital lease obligations	$ 26,056

d) Service concession arrangement obligations are as follows:

	2013	2012
DBF2 Limited Partnership - Chief Peguis Trail Extension	**$ 49,120**	$ 49,577
Plenary Roads Winnipeg GP - Disraeli Bridges	**108,224**	109,182
	$ 157,344	$ 158,759

Chief Peguis Trail Extension

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.

9. Debt (continued)

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, 2013, $105.1 million was capitalized (Note 13). 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 15d.

Disraeli Bridges

The City has 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 and terminates in October 2042. The Disraeli Bridges were commissioned for use in 2012 with decommissioning of the old structures and construction of a separate pedestrian bridge following in 2013.

The $195.0 million project will have been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and cash consideration paid by the City of $10.6 million. As at December 31, 2013, $188.9 million was capitalized for commissioned works (Note 13). A total amount of $19.5 million was capitalized for the pedestrian bridge and final roadwork completed in 2013. Monthly capital and interest performance-based payments totalling $9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

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 $195.0 million project is 5.2%. Specifically, the sinking fund debt and service concession arrangement obligation to PRW bear a combined weighted average interest rate of 7.5%.

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

e) Included in the Consolidated Statement of Financial Position are investments of $12.5 million (2012 - $12.8 million) that will be used for making semi-annual debt service payments on the sinking fund debentures issued in 2012.

f) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2013 is $54.7 million (2012 - $53.6 million) and cash paid for interest during the year is $58.2 million (2012 - $53.8 million).

10. Other Liabilities

	2013	2012
Environmental liabilities	**$ 27,127**	$ 20,000
Developer deposits	**11,071**	8,599
Expropriation and other	**18,950**	28,391
	$ 57,148	$ 56,990

10. Other Liabilities (continued)

Included in environmental liabilities is $25.1 million (2012 - $19.3 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, risk adjusted, long-term, borrowing rate of 6.0% (2012 - 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 95% of its total capacity and its remaining life is approximately 95 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, 2013, the reserve had a balance of $5.0 million (2012 - $4.6 million).

11. Accrued Employee Benefits and Other

	2013	2012
Retirement allowance - accrued obligation	**$ 94,702**	$ 94,554
Unamortized net actuarial loss	**(5,406)**	(8,295)
Retirement allowance - accrued liability	**89,296**	86,259
Vacation	**48,159**	46,392
Workers' compensation	**22,969**	16,963
Compensated absences	**9,410**	8,568
Other	**6,483**	5,983
	$ 176,317	$ 164,165

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 of the obligation was calculated as of July 31, 2011. The results of this valuation were extrapolated to the financial reporting date of December 31, 2013 using year-end assumptions.

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

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

	2013	2012
Retirement allowance - accrued liability		
Balance, beginning of year	**$ 86,259**	$ 83,851
Current service cost	**5,309**	5,130
Interest cost	**3,465**	3,471
Amortization of net actuarial loss	**1,513**	1,745
Benefit payments	**(7,250)**	(7,938)
Balance, end of year	**$ 89,296**	$ 86,259

Retirement allowance expense consists of the following:

	2013	2012
Current service cost	**$ 5,309**	$ 5,130
Interest cost	**3,465**	3,471
Amortization of net actuarial loss	**1,513**	1,745
	$ 10,287	$ 10,346

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

	2013	2012
Discount rate on liability	**3.70%**	3.60%
General increases in pay	**3.50%**	3.50%

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 Program

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

During 2013, members contributed 9.0% of their Canada Pension Plan earnings and 11.2% of pensionable earnings in excess of Canada Pension Plan earnings. Members' contribution rates are scheduled to increase to 9.5% of their Canada Pension Plan earnings and 11.8% of pensionable earnings in excess of Canada Pension Plan earnings in 2014 and future years. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Program was prepared as at December 31, 2012, which indicated an excess of actuarial value of program assets over actuarial liabilities of $115.6 million. The Pension Trust Agreement specifies how actuarial surpluses can be used but does not attribute actuarial surpluses to individual employers. However, a portion of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions. In the event of unfavourable financial experience, additional amounts may be transferred from the City Account to cover a funding deficiency.

12. Pension Costs and Obligations (continued)

The balance of the City Account at December 31, 2013 was $54.0 million (2012 - $60.1 million).

Total contributions by the City to the Program in 2013 were $26.1 million (2012 - $ 23.1 million), which were expensed as incurred.

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, 2012. 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 66.2% to 47.0% of the inflation rate.

An actuarial valuation of the Plan as of December 31, 2013 is to be prepared and filed with the Pension Commission of Manitoba in 2014. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba, the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. It is anticipated that the actuarial valuation will show that the Plan has a solvency deficiency at December 31, 2013 under this wind-up scenario, which would need to be addressed by the City over a period not to exceed five years either by an increase in contributions starting in 2014, or by obtaining a letter of credit with face value equal to the value of additional contributions cumulatively otherwise required. City Council has previously approved the letter of credit option and the City has obtained a letter of credit with respect to December 2012 valuation. To the extent that the current letter of credit exceeds the revised and updated funding requirements, the face value of the letter of credit may be reduced. At December 31, 2013, the letter of credit amount was $39.7 million.

The results of the December 31, 2012 actuarial valuation of the Plan were extrapolated to December 31, 2013. In accordance with the terms of the Plan, extrapolated deficiencies are resolved through transfers from the contribution stabilization reserve and reductions in the rate of cost-of-living adjustments to pensions. The principal long-term assumptions on which the extrapolation was based were: discount rate of 6.00% per year (2012 - 6.00%); inflation rate of 2.00% per year (2012 - 2.00%); and general pay increases of 3.25% per year (2012 - 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:

	2013	2012
Plan assets:		
Fair value, beginning of year	**$ 953,291**	$ 894,619
Employer contributions	**20,954**	17,129
Employee contributions and transfers	**11,880**	11,376
Benefits and expenses paid	**(43,122)**	(43,229)
Net investment income	**177,259**	73,396
Fair value, end of year	**1,120,262**	953,291
Actuarial adjustment	**(72,467)**	27,121
Actuarial value, end of year	**$ 1,047,795**	$ 980,412

12. Pension Costs and Obligations (continued)

Accrued pension obligation:		
Beginning of year	**$ 980,412**	$ 933,487
Current period benefit cost	**33,429**	32,689
Benefits and expenses paid	**(43,122)**	(43,229)
Interest on accrued pension obligation	**58,534**	57,459
Actuarial loss	**18,542**	6
End of year	**$ 1,047,795**	$ 980,412
Expenses related to pensions:		
Current period benefit cost	**$ 33,429**	$ 32,689
Amortization of actuarial gains	**(613)**	(2,546)
Less: employee contributions and transfers	**(11,880)**	(11,376)
Pension benefit expense	**20,936**	18,767
Interest on accrued benefit obligation	**58,534**	57,459
Expected return on plan assets	**(58,516)**	(59,097)
Pension interest expense	**18**	(1,638)
Total expenses related to pensions	**$ 20,954**	$ 17,129

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 2013 were $21.0 million (2012 - $17.1 million). Total employee contributions to the Plan in 2013 were $11.9 million (2012 - $11.4 million). Benefits paid from the Plan in 2013 were $42.2 million (2012 - $42.2 million).

The expected rate of return on Plan assets in 2013 was 6.00% (2012 - 6.25%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2013 was 18.70% (2012 - 8.27%).

Since 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. As noted above, the Plan provides that within certain prescribed constraints, in the event of a funding deficiency, a transfer from the contribution stabilization reserve and amendments to the rate of cost-of-living adjustments to pensions will be utilized to resolve the deficiency. The above extrapolation anticipates that the funding deficiency at December 31, 2013 will be resolved through a further reduction in the rate of cost-of-living adjustment.

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 2013, the City paid out $0.3 million (2012 - $0.4 million). An actuarially determined pension obligation of $3.9 million (2012 - $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.

12. Pension Costs and Obligations (continued)

d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' 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, 2013. The principal long-term assumptions on which the valuation was based were: discount rate of 4.30% per year (2012 - 3.80%); and general pay increases of 3.50% per year (2012 - 3.50%). 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:

	2013	2012
Group life insurance plan assets, at actuarial value	**$ 140,793**	$ 135,613
Accrued post-retirement life insurance obligations	**$ 116,087**	$ 119,377

13. Tangible Capital Assets

	Net Book Value	
	2013	2012
General		
Land	**$ 211,130**	$ 211,731
Buildings	**386,293**	321,653
Vehicles	**179,281**	176,634
Computer	**33,057**	35,271
Other	**200,427**	164,657
Infrastructure		
Plants and facilities	**587,634**	594,574
Roads	**1,129,322**	1,102,727
Underground and other networks	**1,931,198**	1,864,604
Bridges and other structures	**541,214**	522,596
	5,199,556	4,994,447
Assets under construction	**337,607**	209,178
	$ 5,537,163	$ 5,203,625

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

During the year, $nil (2012 - $nil) of tangible capital assets were written-down. Interest capitalized during 2013 was $3.4 million (2012 - $3.0 million). In addition, roads and underground networks contributed to the City totalled $91.9 million in 2013 (2012 - $72.2 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $286.0 million (2012 - $274.1 million) 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:

	2013	2012
Invested in tangible capital assets	**$ 4,637,548**	$ 4,397,884
Reserves		
Capital Reserves		
Environmental Projects	**67,338**	58,927
Sewer System Rehabilitation	**17,821**	29,630
Rapid Transit Infrastructure	**8,856**	9,882
Transit Bus Replacement	**7,157**	6,678
Other	**13,376**	9,790
	114,548	114,907
Special Purpose Reserves		
Perpetual Maintenance Fund - Brookside Cemetery	**14,430**	13,935
Destination Marketing	**11,568**	12,729
Insurance (Note 20)	**7,980**	6,604
Land Operating	**7,071**	4,803
Multi-Family Dwelling Tax Investment	**7,006**	6,073
Land Dedication	**5,049**	4,850
Commitment	**4,093**	4,598
General Purpose	**3,204**	15,921
Other	**17,462**	20,706
	77,863	90,219
Stabilization Reserve		
Financial Stabilization	**85,753**	80,404
Total Reserves	**278,164**	285,530
Surplus		
Manitoba Hydro long-term receivable	**220,238**	220,238
Sewage Disposal System	**77,573**	76,878
Waterworks System	**44,324**	56,422
North Portage Development Corporation	**18,847**	19,001
CentreVenture Development Corporation	**13,485**	13,980
Solid Waste Disposal	**6,643**	8,034
Equipment and Material Services	**3,267**	3,247
Other	**57,762**	21,977
Unfunded expenses		
Canadian Museum for Human Rights grant	**(10,778)**	(10,756)
Environmental liabilities	**(27,127)**	(19,980)
Accrued employee benefits and other	**(172,283)**	(159,947)
Total Surplus	**231,951**	229,094
	$ 5,147,663	$ 4,912,508

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, 2013 are as follows:

a) Operating leases

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

	Operating Leases
2014	$ 5,510
2015	4,912
2016	4,737
2017	4,398
2018	4,083
2019 and thereafter	41,794
	$ 65,434

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, 2013 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, 2013 is $7.4 million (2012 - $6.6 million).

d) Service concession arrangements

(i) As disclosed in Note 9d, the City will pay PRW a monthly performance-based maintenance payment related to the Disraeli Bridges Project contract. The monthly payment totalling $1.7 million annually is to be adjusted by CPI and is payable commencing October 2012 until the termination of the contract with PRW in October 2042.

(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.

15. *Commitments and Contingencies (continued)*

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 is to provide services to the City and representatives of Veolia are working 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 does 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: retains complete ownership of all the sewage system assets; continues to exercise control over the sewage treatment systems by means of City Council budget approvals and by the setting of service quality standards that will be reported publicly on a regular basis; continues to control operating and maintenance parameters by which the sewage system shall operate; and retains full accountability for compliance with regulatory permits and licenses.

Decisions for the sewage treatment system are to 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 is to be set. Veolia is to receive a share of the savings when actual operating costs and/or capital costs are below target costs ("Gainshare"). Veolia is to 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 is to earn amounts for exceeding established KPIs ("KPI earnings"), and to 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.

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, 2013, the forgivable loans totalled $5.7 million (2012 - $6.2 million).

16. *Taxation*

	2013	2012
Municipal and school property taxes	$ **985,893**	$ 932,410
Payments-in-lieu of property (municipal and school) and business taxes	**47,147**	42,883
	1,033,040	975,293
Payments to Province and school divisions	**(550,039)**	(521,322)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	**483,001**	453,971
Business tax and license-in-lieu of business taxes	**56,326**	56,783
Local improvement and frontage levies	**42,488**	42,776
Electricity and natural gas sales taxes	**18,995**	17,984
Amusement and accommodation taxes and mobile home licence	**11,003**	16,064
	$ **611,813**	$ 587,578

The property tax roll includes school taxes of $521.5 million (2012 - $495.0 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2013 totalled $28.5 million (2012 - $26.3 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.

Business tax does not include the amount of levy imposed for business improvement zones of $4.2 million.

17. *Sales of Services and Regulatory Fees*

	2013	2012
Water sales and sewage services	$ **235,875**	$ 230,040
Other sales of goods and services	**129,962**	116,201
Transit fares	**76,482**	72,672
Regulatory fees	**65,550**	64,426
	$ **507,869**	$ 483,339

18. *Government Transfers*

	2013	2012
Operating		
Province of Manitoba		
Ambulance, libraries and other	$ **62,049**	$ 60,822
Building Manitoba Fund	**56,604**	56,604
Transit	**33,534**	33,164
Unconditional	**19,888**	19,888
Support	**12,425**	11,893
Support for provincial programs	**(23,650)**	(23,650)
	160,850	158,721
Government of Canada		
Other	**487**	254
Total Operating	**161,337**	158,975

18. Government Transfers (continued)

Capital		
Province of Manitoba		
Building Manitoba Fund		
Manitoba Winnipeg Infrastructure Funding	**15,100**	11,903
Road Improvements	**12,935**	13,627
Winnipeg Convention Centre	**11,518**	1,384
Other	**14,247**	29,716
	53,800	56,630
Manitoba Housing Renewal Corporation	**5,379**	6,557
	59,179	63,187
Government of Canada		
Federal gas tax revenue	**46,476**	50,577
Other capital funding	**25,266**	7,498
	71,742	58,075
Total Capital	**130,921**	121,262
	$ 292,258	$ 280,237

In accordance with the recommendations of the Public Sector Accounting Board, government transfers, to the extent a liability does not exist, 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

	2013	2012
Salaries and benefits	**$ 730,133**	$ 695,849
Goods and services	**376,614**	344,217
Amortization of tangible capital assets	**198,106**	188,432
Interest	**54,732**	53,587
Other expenses	**37,215**	17,638
	$ 1,396,800	$ 1,299,723

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:

21. *Segmented Information (continued)*

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. 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. The Water and Waste department is responsible for land drainage and garbage collection operations.

Transit System Fund

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

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 $0.3 million (2012 - $0.4 million), are not included in the consolidated financial statements.

23. *Budget*

On December 17, 2013, Council approved the 2014 budget for the City of Winnipeg, including operating budgets for tax supported, utility, special operating agency and reserve operations as well as a capital budget. Included in the 2014 budget document is a 2013 consolidated budget (Appendix 11) that considers a number of adjustments for inter-fund transaction eliminations, tangible capital asset based revenues and amortization, controlled entity operations and the accrual of unfunded expenses. The resulting 2013 consolidated budget presented in the budget has been utilized in these consolidated financial statements.

24. *Comparative Figures*

Certain comparative figures have been reclassified to conform to the presentation made in the current year.

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	**$ 211,731**	**$ 605,712**	**$ 347,202**	**$ 141,058**	**$ 257,458**
Add:					
Additions during the year	**10,094**	**86,144**	**27,703**	**7,623**	**57,071**
Less:					
Disposals during the year	**10,695**	**2,033**	**6,982**	**-**	**494**
Balance, end of year	**211,130**	**689,823**	**367,923**	**148,681**	**314,035**
Accumulated amortization					
Balance, beginning of year	**-**	**284,059**	**170,568**	**105,787**	**92,801**
Add:					
Amortization	**-**	**21,132**	**24,117**	**9,837**	**21,301**
Less:					
Accumulated amortization on disposals	**-**	**1,661**	**6,043**	**-**	**494**
Balance, end of year	**-**	**303,530**	**188,642**	**115,624**	**113,608**
Net Book Value of Tangible Capital Assets	**$ 211,130**	**$ 386,293**	**$ 179,281**	**$ 33,057**	**$ 200,427**

Infrastructure					Totals	
Plants and Facilities	**Roads**	**Underground and Other Networks**	**Bridges and Other Structures**	**Assets Under Construction**	**2013**	2012
$ 831,443	**$ 2,024,665**	**$ 2,800,233**	**$ 723,853**	**$ 209,178**	**$ 8,152,533**	$ 7,565,150
9,232	**79,188**	**106,344**	**32,110**	**128,429**	**543,938**	653,993
-	**546**	**2,896**	**690**	**-**	**24,336**	66,610
840,675	**2,103,307**	**2,903,681**	**755,273**	**337,607**	**8,672,135**	8,152,533
236,869	**921,938**	**935,629**	**201,257**	**-**	**2,948,908**	2,817,355
16,172	**52,564**	**39,635**	**13,348**	**-**	**198,106**	188,432
-	**517**	**2,781**	**546**	**-**	**12,042**	56,879
253,041	**973,985**	**972,483**	**214,059**	**-**	**3,134,972**	2,948,908
$ 587,634	**$ 1,129,322**	**$ 1,931,198**	**$ 541,214**	**$ 337,607**	**$ 5,537,163**	$ 5,203,625

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

For the year ended December 31, 2013
(in thousands of dollars)

	General Revenue Fund			
	Protection	**Community Services**	**Planning**	**Public Works and Water**
REVENUES				
Taxation	**$ 266,048**	**$ 76,022**	**$ 986**	**$ 185,279**
Sales of services and regulatory fees	**55,355**	**15,617**	**26,774**	**5,900**
Government transfers (Note 18)	**70,832**	**10,218**	**3,377**	**19,168**
Transfer from other funds	**8,058**	**2,404**	**11,211**	**19,458**
Other	**15,768**	**4,242**	**2,248**	**9,205**
	416,061	**108,503**	**44,596**	**239,010**
EXPENSES *(Note 19)*				
Salaries and benefits	**350,379**	**37,197**	**22,418**	**72,211**
Goods and services	**34,965**	**8,202**	**3,426**	**121,639**
Interest	**612**	**392**	**793**	**10,551**
Transfer to other funds	**24,758**	**43,010**	**15,763**	**43,451**
Other	**5,347**	**19,702**	**2,196**	**(8,842)**
	416,061	**108,503**	**44,596**	**239,010**
ANNUAL SURPLUS	**$ -**	**$ -**	**$ -**	**$ -**

For the year ended December 31, 2012
(in thousands of dollars)

	General Revenue Fund			
	Protection	Community Services	Planning	Public Works and Water
REVENUES				
Taxation	$ 238,241	$ 76,910	$ 1,908	$ 165,578
Sales of services and regulatory fees	52,641	16,391	27,116	5,712
Government transfers (Note 18)	65,604	10,718	2,989	19,647
Transfer from other funds	8,718	2,824	11,896	22,359
Other	14,500	4,279	2,004	8,546
	379,704	111,122	45,913	221,842
EXPENSES *(Note 19)*				
Salaries and benefits	325,106	36,870	20,847	68,063
Goods and services	36,159	8,395	4,943	106,481
Interest	1,382	284	1,351	12,525
Transfer to other funds	12,785	45,710	15,785	41,950
Other	4,272	19,863	2,987	(7,177)
	379,704	111,122	45,913	221,842
ANNUAL SURPLUS	$ -	$ -	$ -	$ -

Finance and Administration	**Transit System Fund**	**Water and Waste Funds**	**Other Funds and Corporations**	**Eliminations**	**Consolidated**
$ 78,151	**$ -**	**$ -**	**$ 19,955**	**$ (14,628)**	**$ 611,813**
12,547	**80,882**	**269,130**	**94,159**	**(52,495)**	**507,869**
12,238	**45,103**	**7,252**	**165,393**	**(41,323)**	**292,258**
6,066	**69,556**	**37,753**	**330,017**	**(484,523)**	**-**
13,385	**1,041**	**30,915**	**150,309**	**(19,795)**	**207,318**
122,387	**196,582**	**345,050**	**759,833**	**(612,764)**	**1,619,258**
37,444	**93,602**	**60,574**	**55,377**	**931**	**730,133**
14,423	**45,967**	**101,159**	**97,617**	**(50,784)**	**376,614**
(89)	**6,893**	**15,550**	**32,951**	**(12,921)**	**54,732**
46,842	**11,065**	**84,140**	**15,448**	**(284,477)**	**-**
23,767	**19,432**	**34,376**	**200,812**	**(61,469)**	**235,321**
122,387	**176,959**	**295,799**	**402,205**	**(408,720)**	**1,396,800**
$ -	**$ 19,623**	**$ 49,251**	**$ 357,628**	**$ (204,044)**	**$ 222,458**

Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
$ 103,051	$ -	$ -	$ 14,619	$ (12,729)	$ 587,578
11,661	75,228	256,549	90,521	(52,480)	483,339
12,969	45,055	14,842	152,169	(43,756)	280,237
4,879	67,418	32,328	319,524	(469,946)	-
12,217	1,292	36,907	84,333	(18,091)	145,987
144,777	188,993	340,626	661,166	(597,002)	1,497,141
36,300	89,389	59,692	49,788	9,794	695,849
12,600	43,324	94,729	86,976	(49,390)	344,217
653	7,370	19,109	28,106	(17,193)	53,587
70,164	13,593	82,131	172,909	(455,027)	-
25,060	17,210	35,666	169,717	(61,528)	206,070
144,777	170,886	291,327	507,496	(573,344)	1,299,723
$ -	$ 18,107	$ 49,299	$ 153,670	$ (23,658)	$ 197,418

THE CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW

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

			2013	2012	2011	2010	2009
1.	Population (as restated per Statistics Canada)		**699,300**	689,300	677,800	669,400	663,000
	Unemployment rate (as restated per Statistics Canada)						
	- Winnipeg		**6.0%**	5.6%	5.8%	5.7%	5.5%
	- National average		**7.2%**	7.3%	7.5%	7.5%	8.3%
2.	Average annual headcount		**10,143**	10,080	10,039	9,942	9,827
3.	Number of taxable properties		**220,393**	218,973	216,997	215,224	213,574
	Payments-in-lieu of taxes						
	Number of properties		**1,042**	1,317	1,181	1,238	903
4.	Assessment - Residential	$	**50,851,841**	50,738,087	44,052,618	43,431,201	24,048,221
	(see note) - Commercial and						
	industrial		**11,843,015**	13,310,247	12,054,712	12,033,087	8,242,789
	- Farm and golf		**223,708**	244,951	179,736	183,279	128,611
		$	**62,918,564**	64,293,285	56,287,066	55,647,567	32,419,621
	Assessment per capita (in dollars)	$	**89,974**	93,273	83,044	83,131	48,898
	Commercial and industrial as						
	a percentage of assessment		**18.82%**	20.70%	21.42%	21.62%	25.43%
5.	Tax arrears	$	**49,592**	37,960	34,747	34,387	30,036
6.	Tax arrears - per capita (in dollars)	$	**70.92**	55.07	51.26	51.37	45.30
7.	Municipal mill rate		**14.600**	14.056	15.295	15.295	25.448
	- Adjustment for tax increase		**3.9%**	3.5%	0.0%	0.0%	0.0%
	- Adjustment for general assessment		**0.0%**	-11.2%	0.0%	-39.9%	0.0%
8.	Winnipeg consumer price index (per Statistics Canada)						
	(annual average)						
	- 2002 base year 100		**122.6**	119.9	118.1	114.8	113.9
	- Percentage increase		**2.3%**	1.5%	2.9%	0.8%	0.5%
9.	Consolidated revenues						
	- Taxation	$	**611,813**	587,578	563,779	550,994	534,571
	- User charges		**507,869**	483,339	460,452	425,164	413,243
	- Government transfers		**292,258**	280,237	298,086	251,886	256,823
	- Interest and other revenue		**207,318**	145,987	147,293	125,812	139,011
		$	**1,619,258**	1,497,141	1,469,610	1,353,856	1,343,648
10.	Consolidated expenses by function						
	- Municipal operations	$	**994,365**	910,177	891,823	851,469	842,003
	- Public utilities		**347,652**	338,028	334,154	301,637	278,848
	- Civic corporations		**54,783**	51,518	47,257	31,532	29,582
		$	**1,396,800**	1,299,723	1,273,234	1,184,638	1,150,433
11.	Growth in accumulated						
	surplus	$	**222,458**	197,418	196,376	169,218	193,215

Note: Current provincial legislation requires that a general assessment be performed every two years. A general assessment occurred in 2010 and 2012. In the year of a general assessment, the mill rate is adjusted to offset the effect of market value changes of the entire assessment base.

THE CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW - continued

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

		2013	2012	2011	2010	2009
12. Consolidated expenses by object						
Salaries and benefits	$	**730,133**	695,849	664,221	623,232	598,576
Goods and services		**376,614**	344,217	357,008	324,119	314,746
Amortization		**198,106**	188,432	175,765	165,857	155,382
Interest		**54,732**	53,587	43,954	46,233	49,588
Other expenses		**37,215**	17,638	32,286	25,197	32,141
	$	**1,396,800**	1,299,723	1,273,234	1,184,638	1,150,433
13. Payments to school authorities	**$**	**550,039**	521,322	497,237	497,907	474,445
14. Debt						
Tax-supported	$	**557,781**	560,073	334,359	274,838	294,449
Transit		**103,936**	109,709	110,449	81,408	22,088
City-owned utilities		**248,719**	296,868	285,799	290,605	288,899
Other		**74,848**	80,012	70,321	68,238	73,081
Total gross debt		**985,284**	1,046,662	800,928	715,089	678,517
Less: Sinking Funds		**195,237**	264,037	242,528	218,687	199,025
Total net long-term debt	**$**	**790,047**	782,625	558,400	496,402	479,492
Percentage of total assessment		**1.26%**	1.22%	0.99%	0.89%	1.48%
15. Acquisition of tangible capital assets	**$**	**543,938**	653,993	486,320	333,851	384,110
16. Net financial (liabilities) assets	**$**	**(411,063)**	(325,605)	(55,176)	48,603	36,903
17. Accumulated surplus						
Invested in tangible capital assets	**$**	**4,637,548**	4,397,884	4,197,895	3,983,440	3,803,787
Reserves						
Capital		**114,548**	114,907	107,716	97,376	98,329
Special Purpose		**77,863**	90,219	81,981	71,973	81,941
Stabilization		**85,753**	80,404	85,305	81,582	78,397
		278,164	285,530	275,002	250,931	258,667
Surpluses						
Manitoba Hydro long-term receivable		**220,238**	220,238	220,238	220,238	226,640
Other surpluses		**221,901**	199,539	205,043	236,686	230,630
Unfunded expenses		**(210,188)**	(190,683)	(183,088)	(172,581)	(170,228)
		231,951	229,094	242,193	284,343	287,042
	$	**5,147,663**	4,912,508	4,715,090	4,518,714	4,349,496
18. Government-specific indicators						
Assets-to-liabilities		**4.79**	4.85	5.62	6.00	6.05
Financial assets-to-liabilities		**0.70**	0.75	0.95	1.05	1.04
Public debt charges-to-revenues		**0.04**	0.04	0.03	0.03	0.04
Own-source revenues-to-taxable assessment		**0.02**	0.02	0.02	0.02	0.03
Government transfers-to-revenues		**0.18**	0.19	0.20	0.19	0.19

PHOTO: Zhiwei Wang

2 0 1 3 F U N D S

D E T A I L E D F I N A N C I A L S T A T E M E N T S

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. 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, 2013, the General Revenue Fund reported a net deficit of $1.8 million (2012 - $15.9 million surplus) before transfers. Factors that contributed to the General Revenue Fund's position were as follows:

- The Public Works department's expenses were higher than anticipated due mainly to increased spending on the snow clearing and ice control program that was over budget by $15 million.
- Fire Paramedic Service department's net mill rate support is $4.3 million over budget as a result of increased salaries and benefits expense, including overtime, and ambulance revenues falling short. This is offset by additional transfers from Winnipeg Regional Health Authority.
- The Corporate Finance department's net mill rate support was under budget by $1.7 million mainly as a result of higher investment recoveries and lower salaries and benefit expenses.
- The Assessment and Taxation department's net mill rate was $2.3 million less than anticipated due mostly to increased revenue related to entertainment and electricity taxes, as well as interest on uncollected taxes.
- Corporate's net mill rate was lower than budgeted by $7.9 million because of less than anticipated long term and other employee benefit expenses, adjustments to provisions and decreased interest costs. These are partially offset by reduced savings from alternative service delivery initiatives.
- Other departmental revenues and expenses provided $3.6 million of surplus to the total position.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

FIVE-YEAR REVIEW

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

	2013	2012	2011	2010	2009
Planning, Property and Development					
Construction					
-Permits issued	**8,461**	10,124	10,046	9,543	9,480
-Value	**$ 1,781,937**	$ 1,541,071	$ 1,158,757	$ 1,152,406	$ 1,110,844
Housing starts	**3,866**	3,574	2,976	2,737	1,811
Community Services					
Libraries Provincial Transfer	**$ 2,010**	$ 2,010	$ 2,010	$ 2,010	$ 2,010
Library circulation	**5,319,275**	5,585,216	5,472,382	5,423,042	5,728,077
Taxes Receivable					
Property, payments-in-lieu and business taxes	**$ 46,985**	$ 37,960	$ 34,747	$ 34,387	$ 30,036
Allowance for tax arrears	**(3,694)**	(3,351)	(2,629)	(3,080)	(3,784)
	$ 43,291	$ 34,609	$ 32,118	$ 31,307	$ 26,252
Tax Revenues					
Municipal realty taxes	**$ 453,682**	$ 432,584	$ 409,208	$ 405,785	$ 398,730
Payments-in-lieu of taxes	**$ 31,144**	$ 29,076	$ 28,646	$ 30,519	$ 31,058
Business and licenses-in-lieu of business taxes	**$ 56,412**	$ 55,629	$ 55,655	$ 56,417	$ 56,504
Statement of Operations (1)					
Revenues	**$ 930,557**	$ 898,614	$ 869,588	$ 813,059	$ 794,766
Expenses	**930,557**	882,756	859,888	813,059	785,773
	-	15,858	9,700	-	8,993
Contribution to:					
General Purpose Reserve		(15,858)	(9,700)	-	(8,993)
Mill Rate Stabilization Reserve	-	-	-	-	-
Surplus	**$ -**	$ -	$ -	$ -	$ -

(1) The 2010 - 2009 figures have not been reclassified to conform with 2011 - 2013 presentation.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

STATEMENT OF FINANCIAL POSITION

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

	2013	2012
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 621,405**	$ 489,378
Accounts receivable (Note 4)	**97,399**	92,464
Materials and supplies	**7,264**	7,811
Prepaid expenses	**1,189**	1,126
	727,257	590,779
Investments (Note 5)	**38,162**	62,556
Contributed surplus and other assets (Note 6)	**35,568**	36,180
	$ 800,987	$ 689,515
LIABILITIES		
Current		
Notes payable (Note 7)	**$ 323,802**	$ 119,226
Due to other funds (Note 8)	**287,612**	395,911
Accounts payable and accrued liabilities (Note 9)	**130,612**	112,574
Deferred revenue (Note 10)	**34,763**	34,455
Performance and other deposits	**24,198**	14,593
	800,987	676,759
Premium on long-term debt	**-**	12,756
	$ 800,987	$ 689,515

Commitments and contingent liabilities (Note 11)

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)

	2013 Budget	2013 Actual	2012 Actual
REVENUES (Schedule 1)			
Taxation (Note 12)	**$ 574,016**	**$ 575,342**	$ 551,868
Government transfers	**113,050**	**115,834**	111,927
Sale of goods and services (Note 13)	**67,782**	**66,127**	66,048
Regulation fees	**47,341**	**50,066**	47,473
Contributions and transfers	**46,586**	**47,197**	50,676
Payments-in-lieu of taxes (Note 12)	**30,964**	**31,144**	29,076
Investment and other interest	**26,569**	**27,352**	23,576
Sale of Winnipeg Hydro and other	**16,364**	**17,495**	17,970
Total Revenues	**922,672**	**930,557**	898,614
EXPENSES (Schedules 2 and 3)			
Protection and community services	**521,864**	**525,545**	491,914
Public works	**227,297**	**239,010**	221,842
Finance and administration	**82,622**	**79,791**	77,526
Contribution to Transit System	**45,849**	**45,888**	46,279
Property and development	**42,064**	**44,596**	45,913
Employee benefits and payroll tax	**13,618**	**13,188**	12,722
Debt and finance charges	**3,154**	**1,304**	2,265
Grants and payments to other authorities	**18**	**18**	535
Other	**(13,814)**	**(18,783)**	(16,240)
Total Expenses	**922,672**	**930,557**	882,756
Surplus for the year before contribution	**-**	**-**	15,858
Contribution:			
General Purpose Reserve	**-**	**-**	(15,858)
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, 2013
(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; Canada treasury bills; provincial government bonds; City of Winnipeg municipal bonds; other municipal bonds; schedule 1 bank bonds, and bankers' acceptances; schedule 2 bankers' acceptances; 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

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.

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) 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.

i) Debenture premiums and issue expenses

Debenture premiums are amortized over the term of the debenture and issue expenses are charged to operations in the General Revenue Fund in the year of the related debenture issue.

j) 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.

k) Tax Revenue

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

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, no tax revenue is recognized in these consolidated financial statements for amounts collected on behalf of school divisions, nor are the revenues, expenses, assets and liabilities with respect to the operations of the school boards.

Property taxation revenue is based on market assessments that are subject to appeal therefore, a provision has been estimated for assessment appeals outstanding as at December 31. As well, estimates have been made of property tax amounts owing for prior years that have not yet been assessed at the end of the current fiscal year. By their nature, these estimates are subject to measurement uncertainty and the impact on future financial statements could be material (Note 2n).

1. *Significant Accounting Policies (continued)*

l) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

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 requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

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.

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*

	2013	2012
Bank balance, net of other cash items	**$ 2,760**	$ 3,916
Cash equivalents	**618,645**	485,462
	$ 621,405	$ 489,378

Cash equivalents have an effective average interest rate of 1.3% (2012 - 1.3%).

4. *Accounts Receivable*

	2013	2012
Property, payments-in-lieu and business taxes	**$ 46,985**	$ 37,960
Allowance for tax arrears	**(3,694)**	(3,351)
	43,291	34,609
Trade accounts and other receivables	**28,008**	24,815
Province of Manitoba	**24,664**	20,155
Government of Canada	**4,759**	15,811
Accrued interest receivable	**1,812**	1,668
Allowance for doubtful accounts	**(5,135)**	(4,594)
	54,108	57,855
	$ 97,399	$ 92,464

5. Investments

	2013	2012
Marketable securities		
Provincial bonds	**$ 943**	$ 912
Municipal bonds	**37,219**	61,644
	$ 38,162	$ 62,556

The aggregate market value of marketable securities at December 31, 2012 is $38.6 million (2012 - $63.7 million).

6. Contributed Surplus and Other Assets

	2013	2012
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 with no specific terms of repayment	**3,918**	3,918
Golf Services - Special Operating Agency, interest at 6%, repayable in annual payments of $208 thousand, including interest and principal	**2,963**	2,992
Deferred election costs	**-**	583
	$ 35,568	$ 36,180

Interest revenue received on the loan to Golf Services - Special Operating Agency during the year was $179 thousand (2012 - $181 thousand).

Interest revenue received on the loan to Winnipeg Parking Authority - Special Operating Agency during the year was $nil (2012 - $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% (2012 - 1.0%). These notes are callable by the issuers.

	2013	2012
Winnipeg Civic Employees' Benefits Program (Pension Fund)	**$ 147,546**	$ 54,423
The Civic Employees' Group Life Insurance Plan	**125,853**	29,339
Winnipeg Police Pension Plan	**41,343**	22,439
Insurance Reserve	**4,841**	5,603
Workers Compensation Reserve	**2,633**	3,367
Sinking Fund	**796**	3,458
Perpetual Maintenance Reserve Funds:		
- Brookside Cemetery	**468**	470
- St. Vital Cemetery	**40**	5
- Transcona Cemetery	**25**	5
Brady Landfill Site Rehabilitation Reserve	**257**	117
	$ 323,802	$ 119,226

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.

	2013	2012
Capital Reserves	**$ 133,207**	$ 139,655
Financial Stabilization Reserve	**85,753**	80,404
Sewage Disposal System	**68,202**	68,829
Special Purpose Reserves	**49,406**	63,997
General Revenue Enterprises	**28,655**	7,197
Waterworks System	**25,350**	41,387
Transit System	**6,823**	9,061
Solid Waste Disposal	**2,168**	6,403
Equipment and Material Services	**2,119**	2,099
Municipal Accommodations	**1,584**	10,565
Animal Services - Special Operating Agency	**734**	226
Trusts	**283**	361
Winnipeg Enterprises Corporation	**(960)**	(880)
Winnipeg Parking Authority - Special Operating Agency	**(1,489)**	201
Golf Services - Special Operating Agency	**(7,585)**	(6,408)
Fleet Management - Special Operating Agency	**(9,738)**	1,194
General Capital	**(96,900)**	(28,380)
	$ 287,612	$ 395,911

9. Accounts Payable and Accrued Liabilities

	2013	2012
Trade accounts payable	**$ 55,856**	$ 49,125
Provincial education support and school division special levies payable	**27,529**	22,944
Wages and employee benefits payable	**23,465**	18,479
Other accrued liabilities	**14,110**	11,535
Provision for assessment appeals	**7,350**	6,452
Accrued interest on long-term debt	**2,302**	4,039
	$ 130,612	$ 112,574

10. Deferred Revenue

	2013	2012
Deferred gain on sale of assets to:		
Golf Services - Special Operating Agency	**$ 21,675**	$ 21,775
Winnipeg Parking Authority - Special Operating Agency	**6,356**	6,617
Province of Manitoba, Federal Government and other	**5,487**	4,933
Registration fees	**1,090**	1,068
Rentals	**155**	62
	$ 34,763	$ 34,455

11. Commitments and Contingent Liabilities

The following significant commitments and contingencies existed at December 31, 2013:

a) Loan guarantees

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

	2013	2012
CentreVenture Development Corporation	**$ 22,399**	$ 2,344
Assiniboine Park Conservancy Inc.	**11,000**	6,000
Southdale Recreation Association Inc.	**3,061**	3,242
Dakota Community Centre Inc.	**1,454**	1,613
Winnipeg Housing Rehabilitation Corporation	**1,274**	293
Garden City Community Centre Inc.	**595**	292
Gateway Recreation Centre Inc.	**423**	611
Winnipeg Soccer Federation	**362**	409
Winnipeg Enterprises Corporation	**142**	425
St. Norbert Community Centre	**97**	132
Maples Recreation Association Inc.	**75**	113
Glenwood Community Centre Inc.	**66**	125
Granite Curling Club	**29**	37
	$ 40,977	$ 15,636

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, 2013, 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, 2013 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.

12. Taxation

The property tax roll recorded in the General Revenue Fund for the year totalled $975.2 million (2012 - $927.6 million). This included school taxes of $521.6 million (2012 - $495.0 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were $59.6 million (2012 - $55.4 million). Included were payments-in-lieu of school taxes assessed in 2013 of $28.5 million (2012 - $26.3 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.

12. *Taxation (continued)*

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:

	2013	2012
Sewage Disposal System	**$ 8,862**	$ 8,907
Waterworks System	**2,346**	2,319
Transit System	**543**	542
Winnipeg Parking Authority - Special Operating Agency	**418**	407
Golf Services - Special Operating Agency	**263**	255
Solid Waste Disposal	**7**	8
	$ 12,439	$ 12,438

13. *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:

	2013	2012
Waterworks System	**$ 988**	$ 921
Sewage Disposal System	**904**	899
Transit System	**781**	777
Municipal Accommodations	**606**	557
Solid Waste Disposal	**135**	134
Animal Services - Special Operating Agency	**70**	71
Winnipeg Parking Authority - Special Operating Agency	**37**	37
Golf Services - Special Operating Agency	**16**	16
Fleet Management - Special Operating Agency	**-**	22
	$ 3,537	$ 3,434

14. *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 $1.4 million (2012 - $1.2 million); Wading and Outdoor Pool Extended Season Reserve $536 thousand (2012 - $279 thousand); and Library Reserve $nil (2012 - $50 thousand).

Included in Public Works department's expenses is a transfer to the Insect Control Urgent Expenditures Reserve $1.7 million (2012 - $ 2.4 million).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Reserves in the amount of $241 thousand (2012 - $265 thousand), a transfer to the Permit Reserve of $932 thousand (2012 - $854 thousand) and the Housing Rehabilitation Investment Reserve of $1.5 million (2012 - $1.2 million).

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes $237 thousand (2012 - $257 thousand) from the Financial Stabilization Reserve, $287 thousand (2012 - $255 thousand) from the Special Purpose Reserves, $360 thousand (2012 - $300 thousand) from the Capital Reserves, and $62 thousand (2012 - $45 thousand) from the Sinking Fund.

14. Contributions and Appropriations to Related Parties (continued)

Included in government affairs, pension contribution and other expenses during 2013 is a $94 thousand (2012 - $93 thousand) transfer from the Municipal Accommodations Fund.

Included in various expense categories are the following: during 2013 a transfer of $60.2 million to the Municipal Accommodations Fund (2012 - $57.4 million); a transfer to the Computer Replacement Reserve of $645 thousand (2012 - $870 thousand); a transfer to the General Capital Fund of $60.1 million (2012 - $56.1 million) to fund capital projects; a contribution to the Commitment Reserve of $2.9 million (2012 - $3.5 million); a transfer to the Insurance Reserve of $1.2 million (2012 - $1.2 million); a transfer from the General Capital Fund of $7.8 million (2012 - to $1.1 million) for capital expenditures; a transfer to the Waterworks System Fund of $125 thousand (2012 - $128 thousand) and a transfer to Local Streets Renewal Reserve of $4.5 million (2012- nil).

15. 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 $48.3 million (2012 - $40.9 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, 2012 has been estimated to be $3.9 million (2012 - $3.9 million). In 2013, the City paid out $0.3 million (2012 - $0.4 million).

c) Council Pension Benefits Program Established Under By-Law No. 7869/2001

The City of Winnipeg Council Pension Benefits Program (formerly the Councillors' Pension Plan) was established July 18, 2001 by The City of Winnipeg Council Pension Plan By-Law No. 7869/2001, which deemed the Program to have come into existence on January 1, 2001. The Program 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 Program on January 1, 2001.

In 2013, the City paid out $1.1 million (2012 - $0.3 million).

16. 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, 2013 at $78.3 million (2012 - $78.3 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, 2013 is estimated at $10.4 million (2012 - $9.5 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, 2013 is estimated at $37.0 million (2012 - $34.5 million).

16. *Other Employee Benefits (continued)*

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, 2013 is estimated at $9.4 million (2012 - $11.0 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.

17. *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)

	2013 Budget	2013 Actual	2012 Actual
Taxation			
Municipal realty tax	$ **453,880**	$ **453,682**	$ 432,584
Business and licenses-in-lieu of business taxes	**56,412**	**56,412**	55,629
Frontage levy	**41,400**	**41,524**	41,227
Electricity and natural gas sales taxes	**18,332**	**18,995**	17,984
Entertainment tax	**1,800**	**2,219**	2,078
Local improvement tax	**1,530**	**1,408**	1,549
Billboard tax	**201**	**414**	203
Licenses-in-lieu of realty tax	**361**	**364**	362
Local improvement tax commuted	**100**	**324**	252
	574,016	**575,342**	551,868
Government transfers			
Provincial			
Building Manitoba Fund	**56,603**	**56,604**	56,604
Unconditional	**19,888**	**19,888**	19,888
Casino	**10,844**	**11,744**	10,844
Ambulance	**8,574**	**10,415**	5,337
Support	**8,924**	**9,226**	8,748
Video lottery terminal	**7,106**	**7,106**	7,106
Emergency medical services	**5,750**	**5,750**	5,750
Other	**5,950**	**5,598**	9,204
Assessment	**3,000**	**3,000**	3,000
Larviciding	**2,300**	**2,300**	2,300
Libraries	**2,010**	**2,010**	2,010
Policing	**2,000**	**2,000**	2,000
Policing - helicopter	**1,533**	**1,516**	1,328
Dutch elm disease control	**1,550**	**1,000**	1,000
Main Street project	**653**	**882**	450
Services transferred to the Province	**(23,650)**	**(23,650)**	(23,650)
	113,035	**115,389**	111,919
Federal government	**15**	**445**	8
	113,050	**115,834**	111,927
Sale of goods and services	**67,782**	**66,127**	66,048

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2013 Budget	2013 Actual	2012 Actual
Regulation fees			
Permits and fees	**19,566**	**23,809**	21,497
Fines	**18,502**	**16,639**	16,292
Tax penalties	**6,850**	**7,188**	6,834
Licenses	**2,423**	**2,430**	2,850
	47,341	**50,066**	47,473
Contributions and transfers			
Sewage Disposal System	**14,293**	**13,694**	14,198
General Purpose Reserve	**12,500**	**12,500**	10,700
Land Operating Reserve	**6,935**	**6,935**	6,119
Financial Stabilization Reserve	**4,000**	**5,757**	8,800
Municipal Accommodations (Note 14)	**2,908**	**1,533**	3,186
Insect Control Urgent Expenditure Reserve	**1,300**	**1,300**	2,200
Workers Compensation Reserve	**1,000**	**1,000**	-
Permit Reserve	**300**	**945**	884
Heritage Investment Reserve	**820**	**820**	1,000
Transit System	**782**	**782**	782
Waterworks System	**672**	**696**	679
Insurance Reserve	**500**	**500**	1,000
Housing Rehabilitation Reserve	**340**	**340**	-
Solid Waste Disposal	**-**	**-**	810
Winnipeg Parking Authority - Special Operating Agency	**135**	**177**	177
Fleet Management - SOA	**-**	**63**	-
Destination Marketing Reserve	**60**	**60**	60
General Capital Fund	**-**	**47**	-
Golf Services - Special Operating Agency	**41**	**41**	81
Transfer from Animal services	**-**	**7**	-
	46,586	**47,197**	50,676
Payments-in-lieu of taxes	**30,964**	**31,144**	29,076
Investment and other interest			
Dividend - Sewage Disposal System	**11,474**	**11,473**	10,708
Dividend - Waterworks System	**7,764**	**7,764**	7,223
Dividend - Fleet	**2,750**	**2,750**	-
Interest earned	**3,181**	**2,608**	3,620
Interest capitalized	**975**	**2,333**	1,589
Debt charges recovered	**425**	**424**	436
	26,569	**27,352**	23,576

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2013 Budget	2013 Actual	2012 Actual
Sale of Winnipeg Hydro and other			
Manitoba Hydro	**16,000**	**16,000**	16,000
Accounts payable write-offs, commissions, etc.	**364**	**1,495**	1,970
	16,364	**17,495**	17,970
Total Revenues	**$ 922,672**	**$ 930,557**	$ 898,614

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2013 Budget	2013 Actual	2012 Actual
Protection and community services			
Police services	$ **242,548**	$ **243,392**	$ 225,950
Fire paramedic service	**167,888**	**172,670**	153,754
Community services	**110,449**	**108,504**	111,122
Museums	**979**	**979**	1,088
	521,864	**525,545**	491,914
Public works			
Public works	**181,976**	**195,746**	169,323
Water and waste	**33,703**	**31,907**	41,628
Street lighting	**11,618**	**11,357**	10,891
	227,297	**239,010**	221,842
Finance and administration			
Corporate support services	**32,390**	**32,203**	30,871
Assessment and taxation	**18,209**	**17,530**	18,167
City clerks	**10,931**	**10,671**	10,362
Corporate finance	**9,411**	**8,558**	7,633
Council	**4,024**	**3,746**	3,266
Legal services	**2,598**	**2,582**	2,419
Chief administrative offices	**1,890**	**1,814**	1,552
Mayor's office	**1,672**	**1,564**	1,884
Audit	**915**	**894**	1,372
Policy development and communications	**582**	**229**	-
	82,622	**79,791**	77,526
Contribution to Transit System	**45,849**	**45,888**	46,279
Property and development			
Planning, property and development	**42,064**	**44,596**	45,913
Employee benefits and payroll tax			
Provincial payroll tax	**8,833**	**9,725**	9,227
Employee benefits	**4,785**	**3,463**	3,495
	13,618	**13,188**	12,722

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2013 Budget	2013 Actual	2012 Actual
Debt and finance charges			
Transfer to General Capital Fund	**36,432**	**35,824**	39,506
Other interest and finance charges	**1,392**	**150**	540
Transfer to departments	**(34,670)**	**(34,670)**	(37,781)
	3,154	**1,304**	2,265
Grants and payments to other authorities	**18**	**18**	535
Other			
Insurance and damage claims	**3,700**	**3,700**	3,868
Government affairs, pension contribution and other	**(17,514)**	**(22,483)**	(20,108)
	(13,814)	**(18,783)**	(16,240)
Contribution to			
General Purpose Reserve	**-**	**-**	15,858
Total Expenses	**$ 922,672**	**$ 930,557**	$ 898,614

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 3

EXPENSES BY OBJECT

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

	2013 Budget	2013 Actual	2012 Actual
Salaries and employee benefits	$ 513,885	$ 519,649	$ 487,186
Transfers to other Funds	163,075	173,824	186,394
Services	129,987	137,052	124,742
Materials, parts and supplies	39,478	39,319	38,027
Debt and finance charges - departmental and corporate	38,456	38,172	40,725
Grants and payments to other authorities - departmental and corporate	30,002	30,875	29,366
Municipal tax, amortization and other	19,452	11,753	10,926
Provincial payroll tax	8,829	9,728	9,227
Assets - purchases and renovations	7,484	6,282	5,809
Recoveries	(27,976)	(36,097)	(33,788)
	$ 922,672	$ 930,557	$ 898,614

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 2013 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 2013 with 2012 comparative figures are as follows:

	2013	2012
Provincial education support program levy		
Other property	**$ 92,318,363**	$ 88,881,162
Special levies (by school division)		
Winnipeg	**153,227,298**	142,601,898
Louis Riel	**78,479,139**	74,069,144
Pembina Trails	**77,164,484**	73,353,797
River East - Transcona	**62,031,512**	59,803,668
St. James - Assiniboia	**45,244,214**	42,906,652
Seven Oaks	**37,508,875**	35,854,424
Seine River	**4,033,709**	3,820,916
Interlake	**31,439**	30,570
	457,720,670	432,441,069
	$ 550,039,033	$ 521,322,231
Allocated as follows:		
Realty taxes	**$ 521,558,454**	$ 495,024,642
Payments-in-lieu of taxes	**28,480,579**	26,297,589
	$ 550,039,033	$ 521,322,231

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 5

2013 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

As at April 12, 2013
(unaudited)

	Portion	Taxable	Exempt Subject to Payments-in-Lieu	Exempt	Total
Residential 1	45.0%	$ 19,146,184,830	$ 57,729,510	$ 41,318,091	$ 19,245,232,431
Residential 2	45.0%	2,332,194,202	278,881,830	2,770,830	2,613,846,862
Residential 3	45.0%	1,404,949,500	-	93,150	1,405,042,650
Farm	26.0%	30,340,352	3,876,431	30,460,508	64,677,291
Institutional	65.0%	634,178,597	73,180,900	1,409,516,843	2,116,876,340
Pipelines	50.0%	13,564,000	-	-	13,564,000
Railways	25.0%	52,965,693	-	-	52,965,693
Designated recreational facilities	10.0%	10,701,420	641,930	1,887,140	13,230,490
Other	65.0%	6,908,437,254	756,670,396	1,068,255,492	8,733,363,142
Legislative building	65.0%	-	8,739,349	-	8,739,349
		$ 30,533,515,848	$ 1,179,720,346	$ 2,554,302,054	$ 34,267,538,248

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)

	2013	2012	2011	2010	2009
Internal service operations and other programs:					
Revenues	**$ 25,172**	$ 6,262	$ 4,429	$ 6,155	$ 4,526
Expenditures	**4,781**	5,203	5,855	3,882	4,107
Surplus/(Deficit)	**$ 20,391**	$ 1,059	$ (1,426)	$ 2,273	$ 419

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

STATEMENT OF FINANCIAL POSITION

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

	2013	2012
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 28,655**	$ 7,197
	$ 28,655	$ 7,197
LIABILITIES		
Current		
Deferred revenue	**$ 3,314**	$ 2,246
RETAINED EQUITY	**25,341**	4,951
	$ 28,655	$ 7,197

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)

	2013	2012
REVENUES		
Transfer from Land Operating Reserve	**$ 20,569**	$ 609
Permits and fees	**4,547**	5,601
Sales of goods and services	**55**	52
Total Revenues	**25,171**	6,262
EXPENDITURES		
Street cuts operations	**3,931**	4,761
Real estate enterprises	**700**	345
Riverbank management operations	**105**	59
Libraries programs	**45**	38
Total Expenditures (Note 4)	**4,781**	5,203
SURPLUS FROM OPERATIONS	**20,390**	1,059
RETAINED EQUITY, BEGINNING OF YEAR	**4,951**	3,892
RETAINED EQUITY, END OF YEAR	**$ 25,341**	$ 4,951

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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*

	2013	2012
Goods and services	**$ 4,136**	$ 4,892
Grants	**645**	311
	$ 4,781	$ 5,203

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 2013 budget for the General Capital Fund of $208.5 million was a 21.8% decrease from the 2012 budget of $266.6 million. Capital expenditures in 2013 relating to 2013 and previous years capital budgets, decreased from $479.9 million in 2012 to $334.0 million in 2013.

Of the $334.0 million of total capital expenditures, $111.3 million was for Roads and Bridges, $82.4 million related to Buildings, $40.1 million was for Water and Waste infrastructure, and $20.7 million related to Other assets.

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

- Developer contributions-in-kind	$	67.4	million
- East Yard Complex Development	$	49.2	million
- Local Streets Renewal program	$	24.1	million
- West District Police Station	$	17.8	million
- Disraeli Pedestrian Bridge	$	16.6	million
- Regional Streets Renewal program	$	13.3	million
- Sturgeon Road Bridge	$	11.7	million
- Combined Sewer Flood Relief	$	8.8	million
- Fire Station	$	6.1	million

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

FIVE-YEAR REVIEW

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

	2013	2012	2011	2010	2009
Tangible Capital Assets	**$ 3,221,647**	$ 3,015,008	$ 2,653,033	$ 2,474,503	$ 2,411,176
% change in tangible capital assets	**6.85%**	13.64%	7.21%	2.63%	4.26%
Debt					
Net Sinking Fund, serial and installment	**$ 253,163**	$ 224,011	$ 129,136	$ 137,636	$ 165,256
Other long-term debt	**223,046**	232,408	111,966	43,338	48,833
Total long-term debt	**$ 476,209**	$ 456,419	$ 241,102	$ 180,974	$ 214,089
% change in total debt	**4.34%**	89.31%	33.22%	(15.47%)	(0.52%)
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
External	**30,081**	25,267	17,254	20,184	25,085
Interest Expense	**$ 30,081**	$ 25,267	$ 17,254	$ 48,239	$ 53,470
% change in external interest expense	**19.05%**	46.44%	(14.52%)	(19.54%)	(9.11%)
Summary of Cash Flows					
Operating activities	**$ 237,256**	$ 214,038	$ 210,369	$ 155,785	$ 188,369
Long-term debt (retired) issued, net	**$ (1,758)**	$ 225,611	$ (402,594)	$ 13,791	$ 35,022
Payments to The Sinking Fund Trustees, net	**$ 33,876**	$ (4,892)	$ (4,702)	$ (4,704)	$ (8,272)
Due from/to General Revenue Fund	**$ 68,520**	$ 43,133	$ (23,594)	$ 10,154	$ (21,478)
Capital acquisitions	**$ (334,055)**	$ (479,931)	$ (284,174)	$ (169,951)	$ (189,153)
Other	**$ (3,839)**	$ 2,041	$ 504,695	$ (5,075)	$ (4,488)

(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)

	2013	2012
FINANCIAL ASSETS		
Accounts receivable (Note 4)	**$ 42,710**	$ 29,252
Capital loans receivable (Note 5)	**23,360**	21,152
	66,070	50,404
LIABILITIES		
Due to General Revenue Fund (Note 3)	**96,900**	28,380
Accounts payable and accrued liabilities (Note 6)	**35,771**	13,490
Deferred revenue	**13,819**	16,052
Deferred revenue related to capital assets (Note 7)	**10,278**	20,162
Debt (Note 8)	**476,209**	456,419
Deferred liabilities	**1,845**	1,991
Developer deposits	**11,071**	8,599
	645,893	545,093
NET FINANCIAL LIABILITIES	**(579,823)**	(494,689)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	**3,221,647**	3,015,008
Prepaid expenses	**1,700**	15,281
	3,223,347	3,030,289
ACCUMULATED SURPLUS (Note 10)	**$ 2,643,524**	$ 2,535,600

Commitments (Note 11)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2013	2012
REVENUES		
Capital funding recognized (Note 7)	**$ 80,385**	$ 77,929
Transfers from other City of Winnipeg Funds (Schedule 2)	**60,091**	61,081
Transfer from General Revenue Fund		
Debt and finance	**35,824**	39,506
Other	**3,223**	5,210
Developer contributions-in-kind	**67,391**	44,398
Province of Manitoba capital transfer	**37,699**	44,985
Government of Canada capital transfer	**7,626**	5,868
Interest income	**4,892**	6,106
Developer deposit	**579**	532
Other	**6,217**	3,748
	303,927	289,363
EXPENSES		
Amortization	**116,453**	109,457
Interest - External debt	**30,081**	25,267
Grants	**22,296**	14,742
Transfers to other City of Winnipeg Funds (Schedule 2)	**13,623**	6,583
Infrastructure maintenance	**12,954**	8,911
Loss on disposal of tangible capital assets	**266**	4,812
Other	**330**	1,073
	196,003	170,845
NET SURPLUS FOR THE YEAR	**107,924**	118,518
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**2,535,600**	2,417,082
ACCUMULATED SURPLUS, END OF YEAR (Note 10)	**$ 2,643,524**	$ 2,535,600

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)

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 107,924**	$ 118,518
Non-cash charges to operations		
Amortization	**116,453**	109,457
Loss on disposal of tangible capital assets	**266**	4,812
Working capital from operations	**224,643**	232,787
Net change in working capital	**22,404**	(8,466)
Net change in deferred liabilities, deferred revenue and developer deposits	**(9,791)**	(10,283)
	237,256	214,038
FINANCING		
Debt issued	**58,074**	244,738
Debenture debt retired	**(59,832)**	(19,127)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(4,892)**	(6,106)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**33,876**	(4,892)
Capital loans receivable	**(2,208)**	3,756
Due to General Revenue Fund	**68,520**	43,133
Other	**(7,436)**	704
	86,102	262,206
INVESTING		
Net purchase of capital assets (Schedule 1)	**(334,055)**	(479,931)
Net proceeds on disposal of tangible capital assets	**10,697**	3,687
	(323,358)	(476,244)
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, 2013
(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 transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

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 requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

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 (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. The General Capital Fund charges interim financing on individual capital projects and credits the interest to the General Revenue Fund.

4. Accounts Receivable

	2013	2012
Province of Manitoba	**$ 31,616**	$ 23,513
Government of Canada	**4,911**	3,307
Local improvements - Fairfield Park	**1,358**	1,516
Other	**4,825**	916
	$ 42,710	$ 29,252

5. Capital Loans Receivable

At varying maturities up to the year 2032 with a weighted average interest rate for the year 2013 of 6.08% (2012 - 6.21%) due from the following:

	2013	2012
Transit System	**$ 23,311**	$ 21,080
Golf Course Reserve	**49**	72
	$ 23,360	$ 21,152

6. *Accounts Payable and Accrued Liabilities*

		2013		2012
Trade accounts payable	**$**	**23,627**	$	7,225
Contractors' holdbacks		**11,402**		5,709
Accrued debenture interest and principal		**742**		556
	$	**35,771**	$	13,490

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.

		2013		2012
Beginning balance	**$**	**20,162**	$	31,940
Contributions received from:				
General Revenue Fund		**59,987**		56,072
Municipal Accommodations Fund		**10,514**		10,079
		70,501		66,151
Deduct capital funding recognized		**80,385**		77,929
	$	**10,278**	$	20,162

8. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.		Amount of Debt 2013		2012
1993-2013	Feb. 11	9.375	VN	6090/93	**$**	**-**	$	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**		20,250
2012-2051	Nov. 15	3.853	WC	93/2011		**50,000**		50,000
2012-2051	Nov. 15	3.759	WC	120/2009, 93/2011, and 138/2011		**75,000**		75,000
2012-2051	Nov. 15	4.300	WC	93/2011 and 84/2013		**60,000**		-
						320,750		300,750
Equity in Sinking Fund (Note 8b)						**(101,071)**		(130,055)
Net sinking fund debentures outstanding						**219,679**		170,695

8. *Debt (continued)*

Other long-term debt outstanding

	2013	2012
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.52% (2012 - 4.68%)	**33,484**	53,316
Service concession arrangement obligations (Notes 8c and 11a)	**157,344**	158,759
Capital lease obligations with varying maturities up to 2038 and a weighted average interest rate of 8.18% (2012 - 8.18%) (Note 8d)	**26,056**	26,592
Canada Mortgage and Housing Corporation ("CMHC") term loan, maturity February 1, 2026, interest rate of 3.72%	**8,673**	9,184
Tuxedo Yards development loan with an interest rate of 2.28%	**11,473**	11,473
Other long-term debt	**19,500**	26,400
	$ 476,209	$ 456,419

Debt to be retired over the next five years:

	2014	2015	2016	2017	2018	Thereafter
Sinking fund debentures	$ 30,500	$ 55,000	$ -	$ 30,000	$ -	$ 205,250
Serial and installment debt	9,619	4,773	4,773	4,773	4,773	4,773
Service concession arrangements	1,531	1,655	1,790	1,936	2,094	148,338
Capital lease obligations	583	630	682	764	878	22,519
CMHC	531	551	571	592	614	5,814
Tuxedo Yards	-	1,147	1,147	1,147	1,147	6,885
	$ 42,764	$ 63,756	$ 8,963	$ 39,212	$ 9,506	$ 393,579

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 of Winnipeg General Revenue Fund, on behalf of the General Capital Fund, is currently paying between one to three percent 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) Service concession arrangement obligations

(i) Chief Peguis Trail Extension

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, 2013, $105.1 million was capitalized (Note 9). 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.

(ii) Disraeli Bridges

The City has entered into a fixed-price contract with Plenary Roads Winnipeg GP ("PRW") to design, build, finance and maintain the Disraeli Bridges Project. The contract was executed in March 2010 and terminates in October 2042. The Disraeli Bridges Project was commissioned for use in 2012 with decommissioning of the old structures and construction of a separate pedestrian bridge to follow in 2013.

The $195.0 million project will have been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and cash consideration paid by the City of $10.6 million. As at December 31, 2013, $188.9 million was capitalized for commissioned works (Note 9). A total amount of $19.5 million was capitalized for the pedestrian bridge and various roadworks that was completed in 2013. Monthly capital and interest performance-based payments totalling $9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

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 $195.0 million project is 5.2%. Specifically, the sinking fund debt and service concession arrangement obligation to PRW bear a combined weighted average interest rate of 7.5%.

8. *Debt (continued)*

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

	2013	2012
DBF2 - Chief Peguis Trail	**$ 49,120**	$ 49,577
Plenary Roads Winnipeg GP - Disraeli Bridges	**108,224**	109,182
	$ 157,344	$ 158,759

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

	2014	$ 2,476
	2015	2,476
	2016	2,476
	2017	2,502
	2018	2,553
	thereafter	35,026
Total future minimum lease payments		47,509
Amount representing interest at a weighted average interest rate of 8.18%		(21,453)
Balance of the capital lease obligations		$ 26,056

9. *Tangible Capital Assets*

	2013	2012
Land	**$ 182,228**	$ 183,214
Buildings	**356,740**	293,563
Vehicles	**230**	311
Computer	**22,694**	23,050
Other	**90,075**	79,890
Plants and facilities	**17,560**	17,255
Roads	**1,087,413**	1,058,669
Underground and other networks	**800,048**	776,659
Bridges and other structures	**464,103**	444,159
Assets under construction	**200,556**	138,238
	$ 3,221,647	$ 3,015,008

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

During the year, there no write-downs of tangible capital assets (2012 - $nil). Administration fees and interim financing charges capitalized during 2013 were $2.6 million (2012 - $2.4 million). In addition, land, roads and underground networks contributed to the City and recorded in the General Capital Fund totalled $67.4 million in 2013 (2012 - $44.4 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $286.0 million (2012 - $274.1 million) 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.

11. Commitments

a) Service concession arrangements

(i) 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.

(ii) As disclosed in Note 8c, the City will pay PRW a monthly performance-based maintenance payment related to the Disraeli Bridges Project contract. The monthly payment totalling $1.7 million annually is to be adjusted by CPI, is payable commencing October 2012 until the termination of the contract with PRW in October 2042.

12. Comparative Figures

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

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General				
	Land	Buildings	Vehicles	Computer	Other
Cost					
Balance, beginning of year	$ 183,214	$ 542,116	$ 20,918	$ 100,787	$ 122,629
Add: Additions during the year	9,709	82,431	-	7,415	20,760
Less: Disposals during the year	10,695	1,695	-	-	-
Balance, end of year	182,228	622,852	20,918	108,202	143,389
Accumulated amortization					
Balance, beginning of year	-	248,553	20,607	77,737	42,739
Add: Amortization	-	19,159	81	7,771	10,575
Less: Accumulated amortization on disposals	-	1,600	-	-	-
Balance, end of year	-	266,112	20,688	85,508	53,314
Net Book Value of Tangible Capital Assets	$ 182,228	$ 356,740	$ 230	$ 22,694	$ 90,075

Infrastructure					Totals	
Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	**2013**	2012
$ 23,955	$ 1,978,877	$ 1,157,603	$ 642,584	$ 138,238	**$ 4,910,921**	$ 4,473,752
635	79,822	39,471	31,494	62,318	**334,055**	479,931
-	546	-	690	-	**13,626**	42,762
24,590	2,058,153	1,197,074	673,388	200,556	**5,231,350**	4,910,921
6,700	920,208	380,944	198,425	-	**1,895,913**	1,820,719
330	51,049	16,082	11,406	-	**116,453**	109,457
-	517	-	546	-	**2,663**	34,263
7,030	970,740	397,026	209,285	-	**2,009,703**	1,895,913
$ 17,560	$ 1,087,413	$ 800,048	$ 464,103	$ 200,556	**$ 3,221,647**	$ 3,015,008

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)

	2013	2012
TRANSFERS FROM OTHER CITY OF WINNIPEG FUNDS		
Federal Gas Tax Revenue Reserve	**$ 33,710**	$ 45,614
Sewer System Rehabilitation Reserve	**8,842**	3,668
Municipal Accommodations Fund (Note 7)	**5,570**	2,939
Destination Marketing Reserve	**4,079**	-
Local Street Renewal Reserve	**4,000**	-
Land Operating Reserve	**2,108**	5,821
Transit System	**1,258**	1,252
Commitment Reserve	**369**	150
Contributions in Lieu of Land Dedication Reserve	**129**	613
Golf Course Reserve	**26**	26
General Purpose Reserve	**-**	370
Insurance Reserve	**-**	340
Waterworks System	**-**	232
Library Reserve	**-**	35
Computer Replacement Reserve	**-**	21
	$ 60,091	$ 61,081
TRANSFERS TO OTHER CITY OF WINNIPEG FUNDS		
General Revenue Fund	**$ 11,108**	$ 6,266
Land Operating Reserve	**2,515**	293
Sewage Disposal System	**-**	24
	$ 13,623	$ 6,583

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.

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE (continued)

- 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)

	2013	2012	2011	2010	2009
General Revenue Fund's adopted budget expense	**$ 922,672**	$ 899,961	$ 847,324	$ 817,686	$ 788,730
Equity (1)	**$ 85,754**	$ 80,404	$ 85,305	$ 81,582	$ 78,397
Level (2)	**9.3%**	8.9%	10.1%	10.0%	9.9%
Over/(under) target (3)	**$ 11,940**	$ 8,407	$ 17,519	$ (187)	$ g

(1) The 2009 and 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 expenses.

(3) The residual values for 2009 and 2010 is based on the Reserve's equity which is over/(under) 10% of the General Revenue Fund's adopted budget expenses. For 2011 onward, the target is 8%.

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

STATEMENT OF FINANCIAL POSITION

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

	2013	2012
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 85,753**	$ 80,404
EQUITY		
Unallocated	**$ 85,753**	$ 80,404

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)

	2013	2012
Balance, beginning of year	**$ 80,404**	$ 85,305
Add:		
Net realty taxes added to the assessment roll	**8,999**	2,253
Interest earned	**1,803**	1,669
Transfer from Commitment Reserve	**541**	234
	11,343	4,156
Deduct:		
Transfer to General Revenue Fund	**5,757**	8,800
Transfer to General Revenue Fund - investment management fee	**237**	257
	5,994	9,057
Balance, end of year	**$ 85,753**	$ 80,404

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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, 2013 effective interest rate was 0.9% (2012 - 0.9%).

PHOTO: Downtown Winnipeg BIZ

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 eleven 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 Water Main Renewal Reserve Fund is fully funded through water rates transferred from the Waterworks System Fund as well as interest earned on the reserve fund balance.

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, frontage levy revenue collected on property taxes would no longer fund the Sewer System Rehabilitation Reserve as of 2011. Therefore, the Sewer System Rehabilitation Reserve is fully funded through sewer rates transferred from the Sewer Disposal System Fund as well as interest earned on the reserve fund balance.

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 on 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. Effective April 18, 2012, the South End Water Pollution Control Centre license (No. 2716RR) was revised in response to the Save Lake Winnipeg Act requirement. 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.

Waste Diversion Reserve Fund

On October 19, 2011, City Council approved the establishment of the Waste Diversion Reserve Fund for the purpose of funding waste diversion programs and projects. The reserve is to be funded by surplus monies collected through the waste diversion services user fee. The first transfer to the reserve occurred in 2013.

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.

THE CITY OF WINNIPEG
CAPITAL RESERVES (continued)

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.

Federal Gas Tax Revenue Reserve Fund

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

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

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

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.

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.

On January 29, 2013, City Council approved that effective January 1, 2014 the reserve be renamed the Southwest Rapid Transit Corridor - Stage 2 Reserve. In addition the purpose will be revised to: a) accumulate capital funds and subsequently expend such funds on future costs incurred on account of public transit infrastructure, and more specifically, the construction of the Southwest Rapid Transit Corridor - Stage 2, and the purchase of vehicles associated with Stage 2, contemplated in the future; b) contribute to the proposed Jubilee Rapid Transit Station if net proceeds of the disposition of the subject City property are insufficient to cover the City's share, as approved by City Council on October 24, 2012; c) pay for any residual land acquisition settlements for the Southwest Rapid Transit Corridor - Stage 1 project; and d) pay for the ongoing replacement of the 10 buses purchased for the Southwest Rapid Transit Corridor Stage 1 project.

The Director of Transit is the Fund Manager.

Local Street Renewal Reserve Fund

The Local Street Renewal Reserve was established in 2013 to increase investment in local streets, lanes and sidewalks. A separate property tax increase will fund this new reserve each year to ensure a dedicated funding system for local streets. Use of the Local Street Renewal Reserve for purposes other than local streets, lanes, or sidewalk renewals requires approval of 2/3 of City Council.

The Director of Public Works is the Fund Manager.

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW

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

	2013	2012	2011	2010	2009
Water Main Renewal Reserve Fund					
Frontage levy revenue	**$ -**	$ -	$ -	$ -	$ -
Water main renewals funded	**$ 12,182**	$ 15,274	$ 13,316	$ 11,244	$ 9,437
Kilometres of water mains	**2,585**	2,557	2,531	2,543	2,519
Water main repairs	**695**	840	571	328	433
Sewer System Rehabilitation Reserve Fund					
Frontage levy revenue	**$ -**	$ -	$ -	$ 1,100	$ 7,500
Sewer renewals funded	**$ 25,653**	$ 17,344	$ 14,899	$ 15,854	$ 16,874
Kilometres of sewers	**2,579**	2,549	2,548	2,521	2,511
Kilometres of sewers renewed	**1.16**	1.57	1.15	0.73	9.40
Environmental Projects Reserve Fund					
Transfer from Sewage Disposal System	**$ 15,986**	$ 15,780	$ 13,822	$ 11,993	$ 9,737
Transfer to Sewage Disposal System - capital projects	**$ 7,991**	$ 2,732	$ 7,088	$ 5,088	$ 5,462
Brady Landfill Site Rehabilitation Reserve Fund					
Transfer from Solid Waste Disposal	**$ 173**	$ 200	$ 189	$ 171	$ 175
Waste Diversion Reserve					
Transfer from Solid Waste Disposal	**$ 1,625**	$ -	$ -	$ -	$ -
Golf Course Reserve Fund					
Equity	**$ 1,325**	$ 1,224	$ 1,185	$ 1,145	$ 1,087
Library Reserve Fund					
Transfer from General Revenue Fund	**$ -**	$ 50	$ -	$ 130	$ 214
Transit Bus Replacement Reserve Fund					
Transfer from/(to) Transit System, net	**$ 451**	$ (2,036)	$ 528	$ (3,767)	$ (5,102)
Number of buses financed	**29**	40	28	35	63

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW (continued)

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

	2013	2012	2011	2010	2009
Computer Replacement Reserve Fund					
Allocation of equity:					
Corporate Support Services *	**$ 900**	$ 1,563	$ 846	$ 285	$ 289
Community Services	**97**	224	226	273	274
Public Works	**188**	187	164	132	114
Planning, Property and Development	**63**	55	92	188	211
Audit	**-**	3	3	10	10
Corporate Finance	**-**	1	3	2	801
Chief Administrative Offices	**-**	1	1	1	1
Mayor's Office	**-**	-	-	-	6
	$ 1,248	$ 2,034	$ 1,335	$ 891	$ 1,706
Federal Gas Tax Revenue Reserve Fund					
Government of Canada funding	**$ 40,452**	$ 40,452	$ 40,453	$ 40,452	$ 41,067
Transfer to General Capital Fund	**$ 33,710**	$ 45,614	$ 24,950	$ 26,686	$ 25,355
Transfer to Transit System - capital projects	**$ 12,926**	$ 5,625	$ 3,223	$ 490	$ 4,376
Rapid Transit Infrastructure Reserve Fund					
Transfer from/(to) Transit System, net	**$ (1,094)**	$ (1,329)	$ 3,480	$ 537	$ 4,250
Local Street Renewal Reserve Fund					
Transfer from General Revenue Fund	**$ 4,500**	$ -	$ -	$ -	$ -
Transfer to General Capital Fund	**$ 4,000**	$ -	$ -	$ -	$ -

* 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)	$ 3,787	$ 17,821	$ 67,338	$ 1,503
Call loans - General Revenue Fund (Note 4)	-	-	-	257
Accounts receivable	-	-	-	23
	3,787	17,821	67,338	1,783
Investments (Note 5)	-	-	-	3,176
Due from Golf Services - Special Operating Agency (Note 6)	-	-	-	-
	$ 3,787	$ 17,821	$ 67,338	$ 4,959
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Deferred revenue	-	-	-	-
Debt (Note 7)	-	-	-	-
	-	-	-	-
EQUITY				
Allocated	3,787	17,821	67,338	4,959
Unallocated	-	-	-	-
	3,787	17,821	67,338	4,959
	$ 3,787	$ 17,821	$ 67,338	$ 4,959

See accompanying notes to the financial statements

Waste Diversion Reserve	Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Computer Replacement Reserve	Federal Gas Tax Reserve	Sub-total
$ 952	$ 530	$ -	$ 7,157	$ 1,258	$ 23,505	$ 123,851
-	-	-	-	-	-	257
-	-	-	-	-	-	23
952	530	-	7,157	1,258	23,505	124,131
-	-	-	-	-	-	3,176
-	844	-	-	-	-	844
$ 952	$ 1,374	$ -	$ 7,157	$ 1,258	$ 23,505	$ 128,151
$ -	$ -	$ -	$ -	$ 10	$ -	$ 10
-	-	-	-	-	22,900	22,900
-	49	-	-	-	-	49
-	49	-	-	10	22,900	22,959
952	-	-	6,428	1,248	605	103,138
-	1,325	-	729	-	-	2,054
952	1,325	-	7,157	1,248	605	105,192
$ 952	$ 1,374	$ -	$ 7,157	$ 1,258	$ 23,505	$ 128,151

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-total Brought Forward	Transit Infrastructure Reserve	Local Street Renewal Reserve	Totals 2013
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ 123,851	$ 8,856	$ 500	$ 133,207
Call loans - General Revenue Fund (Note 4)	257	-	-	- 257
Accounts receivable	23	-	-	23
	124,131	8,856	500	133,487
Investments (Note 5)	3,176	-	-	3,176
Due from Golf Services - Special Operating Agency (Note 6)	844	-	-	844
	$ 128,151	$ 8,856	$ 500	$ 137,507
LIABILITIES				
Accounts payable	$ 10	$ -	$ -	$ 10
Deferred revenue	22,900	-	-	22,900
Debt (Note 7)	49	-	-	49
	22,959	-	-	22,959
EQUITY				
Allocated	103,138	1,667	500	105,305
Unallocated	2,054	7,189	-	9,243
	105,192	8,856	500	114,548
	$ 128,151	$ 8,856	$ 500	$ 137,507

See accompanying notes to the financial statements

	Totals 2012
	$ 139,655
	117
	23
	139,795
	3,177
	941
	$ 143,913
	$ 10
	28,924
	72
	29,006
	103,851
	11,056
	114,907
	$ 143,913

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	$ 875	$ 29,630	$ 58,927	$ 4,637
Add:				
Government of Canada transfers	-	-	-	-
Transfer from Sewage Disposal System	-	13,700	15,986	-
Transfer from Waterworks System	15,000	-	-	-
Transfer from Transit System	-	-	-	-
Interest earned	112	210	608	163
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	173
Transfer from Municipal Accommodations	-	-	-	-
Transfer from Golf Services SOA				-
Other	17	-	-	-
	15,129	13,910	16,594	336
Deduct:				
Transfer to General Capital Fund	-	8,842	-	-
Transfer to Transit System	-	-	-	-
Transfer to Sewage Disposal System	-	16,811	7,991	-
Transfer to Waterworks System	12,182	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	35	66	192	14
Transfer to Solid Waste Disposal	-	-	-	-
Other	-	-	-	-
	12,217	25,719	8,183	14
Balance, end of year	$ 3,787	$ 17,821	$ 67,338	$ 4,959

See accompanying notes to the financial statements

Waste Diversion Reserve	Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Computer Replacement Reserve	Federal Gas Tax Reserve	Sub-total
$ -	$ 1,224	$ 410	$ 6,678	$ 2,034	$ 610	$ 105,025
-	-	-	-	-	46,476	46,476
-	-	-	-	-	-	29,686
-	-	-	-	-	-	15,000
-	-	-	7,590	-	-	7,590
-	61	2	42	15	162	1,375
-	-	-	-	645	-	645
1,625	-	-	-	-	-	1,798
-	-	-	-	11	-	11
-	67	-	-	-	-	67
-	-	-	-	-	-	17
1,625	128	2	7,632	671	46,638	102,665
-	26	-	-	-	33,710	42,578
-	-	-	7,139	-	12,926	20,065
-	-	-	-	-	-	24,802
-	-	-	-	-	-	12,182
-	-	238	-	1,452	-	1,690
	1	2	14	5	-	329
673	-	-	-	-	-	673
-	-	172	-	-	7	179
673	27	412	7,153	1,457	46,643	102,498
$ 952	$ 1,325	$ -	$ 7,157	$ 1,248	$ 605	$ 105,192

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	Transit Infrastructure Reserve	Local Street Renewal Reserve	Totals 2013
Balance, beginning of year	105,025	$ 9,882	$ -	$ 114,907
	-			
Add:	-			
Government of Canada transfers	46,476	-	-	46,476
Transfer from Sewage Disposal System	29,686	-	-	29,686
Transfer from Waterworks System	15,000	-	-	15,000
Transfer from Transit System	7,590	2,509	-	10,099
Interest earned	1,375	99	-	1,474
Transfer from General Revenue Fund	645	-	4,500	5,145
Transfer from Solid Waste Disposal	1,798	-	-	1,798
Transfer from Municipal Accommodations	11	-	-	11
Transfer from Golf Services SOA	67	-	-	67
Other	17	-	-	17
	-			
	102,665	2,608	4,500	109,773
	-			
Deduct:	-			
Transfer to General Capital Fund	42,578	-	4,000	46,578
Transfer to Transit System	20,065	3,603	-	23,668
Transfer to Sewage Disposal System	24,802	-	-	24,802
Transfer to Waterworks System	12,182	-	-	12,182
Purchase of equipment	1,690	-	-	1,690
Transfer to General Revenue Fund - investment management fee	329	31	-	360
Transfer to Solid Waste Disposal	673	-	-	673
Other	179	-	-	179
	-			
	102,498	3,634	4,000	110,132
	-			
Balance, end of year	$ 105,192	$ 8,856	$ 500	$ 114,548

See accompanying notes to the financial statements

Totals 2012
$ 107,716
50,577
30,780
14,000
12,149
1,489
920
200
11
-
4
110,130
49,364
21,139
16,408
15,274
423
324
7
102,939
$ 114,907

THE CITY OF WINNIPEG
CAPITAL RESERVES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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
Waste Diversion Reserve Fund
Golf Course Reserve Fund
Library Reserve Fund
Transit Bus Replacement Reserve Fund
Computer Replacement Reserve Fund
Federal Gas Tax Revenue Reserve Fund
Rapid Transit Infrastructure Reserve Fund
Local Street Renewal 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 transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

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 requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

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 was phased out as of 2011. The frontage levy is being reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. The sources of funding for the Sewer System Rehabilitation Reserve Fund are revenues from sewer rates, which are transferred from 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 2013 sewer rate includes a provision of 0.2600 cents (2012 - 0.2600 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 (2012 - 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.

Waste Diversion Reserve Fund

On October 19, 2011, City Council approved the establishment of the Waste Diversion Reserve Fund for the purpose of funding waste diversion programs and projects. The reserve is to be funded by surplus monies collected through the waste diversion services user fee. The first transfer to the reserve occurred in 2013.

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.

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

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.

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.

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.

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.

On January 29, 2013, City Council approved that effective January 1, 2014 the reserve be renamed the

2. Status of the Capital Reserves (continued)

Southwest Rapid Transit Corridor - Stage 2 Reserve. In addition the purpose will be revised to: a) accumulate capital funds and subsequently expend such funds on future costs incurred on account of public transit infrastructure, and more specifically, the construction of the Southwest Rapid Transit Corridor - Stage 2, and the purchase of vehicles associated with Stage 2, contemplated in the future; b) contribute to the proposed Jubilee Rapid Transit Station if net proceeds of the disposition of the subject City property are insufficient to cover the City's share, as approved by City Council on October 24, 2012; c) pay for any residual land acquisition settlements for the Southwest Rapid Transit Corridor - Stage 1 project; and d) pay for the ongoing replacement of the 10 buses purchased for the Southwest Rapid Transit Corridor Stage 1 project.

The Director of Transit is the Fund Manager.

Local Street Renewal Reserve Fund

The Local Street Renewal Reserve was established in 2013 to increase investment in local streets, lanes and sidewalks. A separate property tax increase will fund this new reserve each year to ensure a dedicated funding system for local streets. Use of the Local Street Renewal Reserve for purposes other than local streets, lanes, or sidewalk renewals requires approval of 2/3 of City Council.

The Director of Public Works is the Fund Manager.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 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

	2013	2012
Marketable securities		
Provincial bonds and bond coupons	**$ 1,496**	$ 1,496
Municipal bonds	**1,680**	1,681
	$ 3,176	$ 3,177

The aggregate market value of marketable securities at December 31, 2013 was $3,357 thousand (2012 - $3,783 thousand).

6. Due from Golf Services - Special Operating Agency

	2013	2012
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	**$ -**	$ 9
- 2005	**10**	19
- 2006	**29**	42
- 2007	**89**	115
- 2008	**143**	175
- 2009	**8**	9
- 2010	**183**	208
- 2011	**38**	42
- 2012	**198**	217
- 2013	**41**	45
- 2014	**60**	60
- 2015	**45**	-
	$ 844	$ 941

Included in interest earned is $58 thousand (2012 - $63 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.

7. Debt

	2013	2012
General Capital Fund debt issued by the City, maturing in 2015 with an interest rate of 4.0%	**$ 49**	$ 72

Debt to be retired over the next two years:

2014	24
2015	25
	$ 49

PHOTO: E. Katie Wowryk

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

The City of Winnipeg ("the City") operates eighteen 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.

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.

Wading and Outdoor Pool Extended Season 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.

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.

With the adoption of the 2013 tax-supported budget City Council approved the Recreation Programming Reserve be renamed the Wading and Outdoor Pool Extended Season Reserve and that the original recreation programming subcomponent of the Recreation Programming Reserve be closed. The annual transfer from the General Revenue Fund is budgeted at $490 thousand with adjustments made during the year depending on the actual cost of the extended season.

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.

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

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 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)

	2013	2012	2011	2010	2009
Workers Compensation Reserve Fund					
Call loans - General Revenue Fund	**$ 2,633**	$ 3,367	$ 2,882	$ 2,758	$ 1,183
Investments	**$ 2,083**	$ 1,000	$ 999	$ -	$ 1,990
Interest earned	**$ 55**	$ 47	$ 27	$ 18	$ 13
Brookside Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 468**	$ 470	$ 426	$ 1,263	$ 1,334
Investments	**$ 13,848**	$ 13,344	$ 12,340	$ 11,193	$ 10,617
Interest earned	**$ 618**	$ 612	$ 606	$ 741	$ 533
St. Vital Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 40**	$ 5	$ 136	$ 100	$ 51
Investments	**$ 799**	$ 799	$ 649	$ 635	$ 655
Interest earned	**$ 36**	$ 34	$ 52	$ 29	$ 33
Transcona Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 25**	$ 5	$ 88	$ 95	$ 62
Investments	**$ 564**	$ 563	$ 464	$ 423	$ 436
Interest earned	**$ 25**	$ 25	$ 37	$ 19	$ 23
Insurance Reserve Fund					
Call loans - General Revenue Fund	**$ 4,841**	$ 5,603	$ 4,103	$ 2,527	$ (238)
Investments	**$ 3,124**	$ 1,000	$ 999	$ 926	$ 1,842
Interest earned	**$ 74**	$ 59	$ 39	$ 65	$ 80
Contributions in Lieu of Land Dedication Reserve Fund					
Cash dedications revenue	**$ 1,108**	$ 752	$ 707	$ 289	$ 2,564
Interest earned	**$ 47**	$ 46	$ 45	$ 27	$ 15
Park improvement expenses	**$ 827**	$ 432	$ 416	$ 858	$ 693
Land Operating Reserve Fund					
Number of properties sold	**27**	47	37	70	96
Number acquired - tax sale	**10**	2	4	-	-
Number exchanged	**-**	1	-	2	1
Wading and Outdoor Pool Extended Season Reserve Fund					
Transfer from General Revenue Fund	**$ 536**	$ 279	$ 490	$ 330	$ 447
Total expenses	**$ 543**	$ 550	$ 271	$ 338	$ 452
Number approved Programs/Projects	**-**	-	4	11	2

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

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

	2013	2012	2011	2010	2009
Snow Clearing Reserve Fund					
Transfer (to)/from					
General Revenue Fund	**$ -**	$ -	$ -	$ -	$ (4,370)
Commitment Reserve Fund					
Allocation of equity:					
Corporate and other	**$ 950**	$ 3,308	$ 961	$ 355	$ 837
Planning, Property and Development	**46**	494	-	-	155
Community Services	**347**	441	128	414	361
Police Service	**700**	205	882	-	94
Corporate Support Services	**296**	150	-	-	1,208
Fire Paramedic Services	**648**	-	239	300	157
Public Works	**1,106**	-	135	-	-
Assessment and Taxation	**-**	-	-	-	75
	$ 4,093	$ 4,598	$ 2,345	$ 1,069	$ 2,887
Heritage Investment Reserve Fund					
Municipal realty tax revenue	**$ 983**	$ 1,095	$ 1,199	$ 1,031	$ 1,211
Housing Rehabilitation Investment Reserve Fund					
Grant expense	**$ 8,914**	$ 852	$ 919	$ 808	$ 825
Economic Development Investment Reserve Fund					
Municipal realty tax revenue	**$ 210**	$ 648	$ 263	$ 87	$ 7
General Purpose Reserve Fund					
Net transfer from (to) General Revenue Fund	**$ (12,500)**	$ 5,158	$ 1,700	$ (5,283)	$ 8,993
Net transfer from (to) General Capital Fund	**$ (275)**	$ (370)	$ 2,106	$ (1,700)	$ 12
Grants	**$ -**	$ -	$ -	$ -	$ -
Interest earned	**$ 85**	$ 102	$ 63	$ 69	$ 23
Multiple-Family Dwelling Tax Investment Reserve Fund					
Municipal realty tax revenue	**$ 2,081**	$ 2,198	$ 2,259	$ 1,793	$ 941
Interest earned	**$ 67**	$ 51	$ 38	$ 14	$ 8
Insect Control Urgent Expenditures Reserve Fund					
Net transfer from (to) General Revenue Fund	**$ 436**	$ 153	$ 2,323	$ 112	$ (321)

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

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

	2013	2012	2011	2010	2009
Permit Reserve Fund					
Net transfer (to) from					
General Revenue Fund	**$ (13)**	$ (30)	$ (769)	$ 1,686	$ (391)
Destination Marketing Reserve Fund					
Accommodation tax revenue	**$ 7,451**	$ 7,684	$ 7,585	$ 7,053	$ 6,820
Grants expense:					
Economic Development Winnipeg Inc.	**$ 2,619**	$ 2,989	$ 2,606	$ 2,638	$ 3,060
The Convention Centre Corporation Inc.	**1,924**	2,155	2,415	1,500	1,500
	$ 4,543	$ 5,144	$ 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	Sub-Total
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ -	$ -	$ -	$ -
Call loans - General Revenue Fund (Note 4)	2,633	468	40	3,141
Accounts receivable	10	114	11	135
Land held for resale	-	-	-	-
	2,643	582	51	3,276
Investments (Note 5)	2,083	13,848	799	16,730
Investment in government business (Note 6)	-	-	-	-
Deferred charges	-	-	-	-
	$ 4,726	$ 14,430	$ 850	$ 20,006
LIABILITIES				
Current				
Accounts payable	$ -	$ -	$ -	$ -
Deferred Revenue	-	-	-	-
Due to Winnipeg Parking Authority - SOA	-	-	-	-
	-	-	-	-
EQUITY				
Contributed surplus (Note 7)	-	-	-	-
Allocated	-	-	-	-
Unallocated	4,726	14,430	850	20,006
	4,726	14,430	850	20,006
	$ 4,726	$ 14,430	$ 850	$ 20,006

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-Total Brought Forward	Transcona Cemetery Reserve	Insurance Reserve	Land Dedication Reserve
ASSETS				
Current				
Due from General Revenue				
Fund (Note 3)	$ -	$ -	$ -	$ 5,049
Call loans -				
General Revenue Fund (Note 4)	3,141	25	4,841	-
Accounts receivable	135	7	15	-
Land held for resale	-	-	-	-
	3,276	32	4,856	5,049
Investments (Note 5)	16,730	564	3,124	-
Investment in government business (Note 6)	-	-	-	-
Deferred charges	-	-	-	-
	$ 20,006	$ 596	$ 7,980	$ 5,049
LIABILITIES				
Current				
Accounts payable	$ -	$ -	$ -	$ -
Deferred Revenue	-	-	-	-
Due to Winnipeg Parking				
Authority - SOA	-	-	-	-
	-	-	-	-
EQUITY				
Contributed surplus (Note 7)	-	-	-	-
Allocated	-	-	-	-
Unallocated	20,006	596	7,980	5,049
	20,006	596	7,980	5,049
	$ 20,006	$ 596	$ 7,980	$ 5,049

See accompanying notes to the financial statements

Land Operating Reserve	Wading & Outdoor Pool Extended Season Reserve	Snow Clearing Reserve	Commitment Reserve	Heritage Investment Reserve	Housing Rehabilitation Reserve	Sub-Total
$ 5,367	$ -	$ -	$ 4,093	$ 92	$ 6,185	$ 20,786
-	-	-	-	-	-	8,007
10,321	-	-	-	731	-	11,209
14,689	-	-	-	-	-	14,689
30,377	-	-	4,093	823	6,185	54,691
354	-	-	-	-	-	20,772
11,704	-	-	-	-	-	11,704
58	-	-	-	-	-	58
$ 42,493	$ -	$ -	$ 4,093	$ 823	$ 6,185	$ 87,225
$ 16,996	$ -	$ -	$ -	$ -	$ 954	$ 17,950
-	-	-	-	-	2,106	2,106
						-
10,000	-	-	-	-	-	10,000
26,996	-	-	-	-	3,060	30,056
8,425	-	-	-	-	-	8,425
(2)	-	-	-	-	-	(2)
7,074	-	-	4,093	823	3,125	48,746
7,072	-	-	4,093	823	3,125	48,744
$ 42,493	$ -	$ -	$ 4,093	$ 823	$ 6,185	$ 87,225

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-Total Brought Forward	Economic Development Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ 20,786	$ 2,341	$ 3,204	$ 7,006
Call loans - General Revenue Fund (Note 4)	8,007	-	-	-
Accounts receivable	11,209	-	-	-
Land held for resale	14,689	-	-	-
	54,691	2,341	3,204	7,006
Investments (Note 5)	20,772	-	-	-
Investment in government business (Note 6)	11,704	-	-	-
Deferred charges	58	-	-	-
	$ 87,225	$ 2,341	$ 3,204	$ 7,006
LIABILITIES				
Current				
Accounts payable	$ 17,950	$ -	$ -	$ -
Deferred Revenue	2,106	-	-	-
Due to Winnipeg Parking Authority - SOA	10,000	-	-	-
	30,056	-	-	-
EQUITY				
Contributed surplus (Note 7)	8,425	-	-	-
Allocated	(2)	-	-	-
Unallocated	48,746	2,341	3,204	7,006
	48,744	2,341	3,204	7,006
	$ 87,225	$ 2,341	$ 3,204	$ 7,006

See accompanying notes to the financial statements

Insect Control Reserve	Permit Reserve	Destination Marketing Reserve	Totals 2013	Totals 2012
$ 3,000	$ 2,001	$ 11,068	$ 49,406	$ 63,997
-	-	-	8,007	9,450
-	-	500	11,709	4,067
-	-	-	14,689	12,627
3,000	2,001	11,568	83,811	90,141
-	-	-	20,772	17,878
-	-	-	11,704	7,602
-	-	-	58	57
$ 3,000	$ 2,001	$ 11,568	$ 116,345	$ 115,678
$ -	$ -	$ -	$ 17,950	$ 7,034
-	-	-	2,106	-
-	-	-	10,000	10,000
-	-	-	30,056	17,034
-	-	-	8,425	8,425
-	-	11,568	11,566	12,727
3,000	2,001	-	66,298	77,492
3,000	2,001	11,568	77,864	90,219
$ 3,000	$ 2,001	$ 11,568	$ 116,345	$ 115,678

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	**$ 4,368**	**$ 13,935**	**$ 814**	**$ 576**
Add:				
Transfer from General Revenue Fund	**-**	**71**	**18**	**8**
Other (Note 6)	**1,410**	**161**	**-**	**-**
Accommodation tax	**-**	**-**	**-**	**-**
Land sales	**-**	**-**	**-**	**-**
Municipal realty tax	**-**	**-**	**-**	**-**
Interest earned	**55**	**618**	**36**	**25**
Cash payments-in-lieu of land dedication	**-**	**-**	**-**	**-**
Transfer from General Purpose Reserve				
Transfer from Waterworks System Fund	**-**	**-**	**-**	**-**
Transfer from Transit System Fund	**-**	**-**	**-**	**-**
Transfer from Land Operating Reserve	**-**	**-**	**-**	**-**
Transfer from General Capital Fund	**-**	**-**	**-**	**-**
Transfer from Solid Waste Disposal Fund	**-**	**-**	**-**	**-**
Transfer from Sewage Disposal System Fund	**-**	**-**	**-**	**-**
Transfer from Winnipeg Parking - SOA	**-**	**-**	**-**	**-**
Transfer from Animal Services - SOA	**-**	**-**	**-**	**-**
	1,465	**850**	**54**	**33**
Deduct:				
Transfer to General Revenue Fund	**1,000**	**311**	**16**	**11**
Grants	**-**	**-**	**-**	**-**
Transfer to General Capital Fund	**-**	**-**	**-**	**-**
Other	**93**	**-**	**-**	**-**
Cost of sales	**-**	**-**	**-**	**-**
Transfer to General Revenue Enterprises	**-**	**-**	**-**	**-**
Transfer to Municipal Accommodations Fund	**-**	**-**	**-**	**-**
Transfer to Contributions in Lieu of Land Dedication Reserve	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**14**	**44**	**2**	**2**
Transfer to Financial Stabilization Reserve	**-**	**-**	**-**	**-**
Transfer to Fleet Management - SOA	**-**	**-**	**-**	**-**
Transfer to Golf Services - SOA	**-**	**-**	**-**	**-**
Transfer to Transit	**-**	**-**	**-**	**-**
Transfer to Heritage Reserve	**-**	**-**	**-**	**-**
	1,107	**355**	**18**	**13**
Balance, end of year	**$ 4,726**	**$ 14,430**	**$ 850**	**$ 596**

See accompanying notes to the financial statements

Insurance Reserve	Land Dedication Reserve	Land Operating Reserve	Wading & Outdoor Pool Extended Season Reserve	Snow Clearing Reserve	Sub-Total
$ 6,604	$ 4,850	$ 4,803	$ 5	$ -	$ 35,955
1,193	-	-	536	-	1,826
-	-	5,000	-	-	6,571
-	-	-	-	-	-
-	-	39,182	-	-	39,182
-	-	-	-	-	-
74	47	256	2	-	1,113
-	1,108	-	-	-	1,108
		-			-
193	-	-	-	-	193
-	-	-	-	-	-
-	95	-	-	-	95
-	-	2,515	-	-	2,515
15	-	-	-	-	15
831	-	-	-	-	831
1	-	-	-	-	1
-	-	-	-	-	-
2,307	1,250	46,953	538	-	53,450
500	-	6,935	-	-	8,773
-	-	10,000	-	-	10,000
-	129	2,108	-	-	2,237
53	907	2,697	288	-	4,038
-	-	2,207	-	-	2,207
-	-	20,569	-	-	20,569
186	-	-	254	-	440
-	-	95	-	-	95
					-
19	15	73	1	-	170
-	-	-	-	-	-
80	-	-	-	-	80
8	-	-	-	-	8
85	-	-	-	-	85
-	-	-	-	-	-
931	1,051	44,684	543	-	48,702
$ 7,980	$ 5,049	$ 7,072	$ -	$ -	$ 40,703

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	$ 35,955	$ 4,598	$ 2,920	$ 4,797
Add:				
Transfer from General Revenue Fund	1,826	2,857	-	1,516
Other	6,571	-	-	5,695
Accommodation tax	-	-	-	-
Land sales	39,182	-	-	-
Municipal realty tax	-	-	983	-
Interest earned	1,113	-	18	50
Cash payments-in-lieu of land dedication	1,108	-	-	-
Transfer from General Purpose Reserve			275	
Transfer from Waterworks System Fund	193	-	-	-
Transfer from Transit System Fund	-	-	-	-
Transfer from Land Operating Reserve	95	-	-	-
Transfer from General Capital Fund	2,515	-	-	-
Transfer from Solid Waste Disposal Fund	15	-	-	-
Transfer from Sewage Disposal System Fund	831	-	-	-
Transfer from Winnipeg Parking - SOA	1	-	-	-
Transfer from Animal Services - SOA	-	-	-	-
	53,450	2,857	1,276	7,261
Deduct:				
Transfer to General Revenue Fund	8,773	-	820	-
Grants	10,000	519	1,500	8,914
Transfer to General Capital Fund	2,237	369	-	-
Other	4,038	1,933	1,050	3
Cost of sales	2,207	-	-	-
Transfer to General Revenue Enterprises	20,569	-	-	-
Transfer to Municipal Accommodations Fund	440	-	-	-
Transfer to Contributions in Lieu of Land Dedication Reserve	95	-	-	-
Transfer to General Revenue Fund - investment management fee	170	-	3	16
Transfer to Financial Stabilization Reserve	-	541	-	-
Transfer to Fleet Management - SOA	80	-	-	-
Transfer to Golf Services - SOA	8	-	-	-
Transfer to Transit	85	-	-	-
Transfer to Heritage Reserve	-	-	-	-
	48,702	3,362	3,373	8,933
Balance, end of year	$ 40,703	$ 4,093	$ 823	$ 3,125

See accompanying notes to the financial statements

Economic Development Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Insect Control Reserve	Permit Reserve	Sub-Total
$ 2,225	$ 15,921	$ 6,073	$ 3,000	$ 2,001	$ 77,490
-	-	-	1,736	932	8,867
-	-	-	-	-	12,266
-	-	-	-	-	-
-	-	-	-	-	39,182
210	-	2,081	-	-	3,274
22	85	67	16	19	1,390
-	-	-	-	-	1,108
					275
-	-	-	-	-	193
-	-	-	-	-	-
-	-	-	-	-	95
-	-	-	-	-	2,515
-	-	-	-	-	15
-	-	-	-	-	831
-	-	-	-	-	1
-	-	-	-	-	-
232	85	2,148	1,752	951	70,012
-	12,500	-	1,300	945	24,338
109	-	1,194	-	-	22,236
-	-	-	-	-	2,606
-	-	-	447	-	7,471
-	-	-	-	-	2,207
-	-	-	-	-	20,569
-	-	-	-	-	440
					-
-	-	-	-	-	95
					-
7	27	21	5	6	255
-	-	-	-	-	541
-	-	-	-	-	80
-	-	-	-	-	8
-	-	-	-	-	85
-	275	-	-	-	275
116	12,802	1,215	1,752	951	81,206
$ 2,341	$ 3,204	$ 7,006	$ 3,000	$ 2,001	$ 66,296

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	Destination Marketing Reserve	Totals 2013
Balance, beginning of year	$ 77,490	$ 12,729	$ 90,219
Add:			
Transfer from General Revenue Fund	8,867	-	8,867
Other	12,266	-	12,266
Accommodation tax	-	7,451	7,451
Land sales	39,182	-	39,182
Municipal realty tax	3,274	-	3,274
Interest earned	1,390	102	1,492
Cash payments-in-lieu of land dedication	1,108	-	1,108
Transfer from General Purpose Reserve	275		275
Transfer from Waterworks System Fund	193	-	193
Transfer from Transit System Fund	-	-	-
Transfer from Land Operating Reserve	95	-	95
Transfer from General Capital Fund	2,515	-	2,515
Transfer from Solid Waste Disposal Fund	15	-	15
Transfer from Sewage Disposal System Fund	831	-	831
Transfer from Winnipeg Parking - SOA	1	-	1
Transfer from Animal Services - SOA	-	-	-
	70,012	7,553	77,565
Deduct:			
Transfer to General Revenue Fund	24,338	60	24,398
Grants	22,236	4,543	26,779
Transfer to General Capital Fund	2,606	4,079	6,685
Other	7,471	-	7,471
Cost of sales	2,207	-	2,207
Transfer to General Revenue Enterprises	20,569	-	20,569
Transfer to Municipal Accommodations Fund	440	-	440
Transfer to Contributions in Lieu of Land Dedication Reserve	95	-	95
Transfer to General Revenue Fund - investment management fee	255	32	287
Transfer to Financial Stabilization Reserve	541	-	541
Transfer to Fleet Management - SOA	80	-	80
Transfer to Golf Services - SOA	8	-	8
Transfer to Transit	85	-	85
Transfer to Heritage Reserve	275	-	275
	81,206	8,714	89,920
Balance, end of year	$ 66,296	$ 11,568	$ 77,864

See accompanying notes to the financial statements

Totals 2012
$ 71,973
18,004
1,750
7,585
6,922
3,721
1,566
707
95
503
-
8,110
32
110
20
2
49,127
17,418
7,347
6,982
2,802
3,383
346
416
-
277
26
64
58
-
-
39,119
$ 81,981

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
Wading and Outdoor Pool Extended Season Reserve Fund
Snow Clearing Reserve Fund
Commitment Reserve Fund
Heritage Investment Reserve Fund
Housing Rehabilitation Investment Reserve Fund
Economic Development Investment 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.

1. Significant Accounting Policies (continued)

f) Investment in government business

The investment in River Park South Developments Inc. is reported as a government business partnership and is therefore accounted for using the modified equity method. Under this method, the government business's accounting principles are not adjusted to conform with those of the City of Winnipeg (the "City") and inter-corporate transactions are not eliminated (Note 6).

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 administers its workers compensation program on a self insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. Departments are charged an array of actual costs as well as surcharges related to financing fatality pensions and upgrades of benefits. The net result is that costs and surcharges are transferred to/from the Workers Compensation Reserve Fund. The Workers Compensation Reserve Fund serves to counteract any budgetary fluctuation from year to year that would result from a work related incident of major proportions.

The Corporate Controller is the Fund Manager.

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

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

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

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

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

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

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

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

Insurance Reserve Fund

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

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

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

Wading and Outdoor Pool Extended Season Reserve Fund

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.

With the adoption of the 2013 tax-supported budget City Council approved the Recreation Programming Reserve be renamed the Wading and Outdoor Extended Season Reserve and that the original recreation programming subcomponent of the Recreation Programming Reserve be closed. The annual transfer from the General Revenue Fund is budgeted at $490,000 with adjustments made during the year depending on the actual cost of the extended season.

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.

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.

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.

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

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.

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
- Commencing in 2013 the Destination Marketing Reserve Fund is paying an additional grant to the Winnipeg Convention Centre for debt servicing. This grant will be paid for 2013, 2014 and 2015.
- 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, 2013 effective interest rate was 0.9% (2012 - 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*

	2013	2012
Marketable securities		
Provincial bonds and bond coupons	**$ 2,195**	$ 4,305
Municipal bonds	**18,223**	12,401
	20,418	16,706
Other	**354**	1,172
	$ 20,772	$ 17,878

The aggregate market value of marketable securities at December 31, 2013 was $20,517 thousand (2012 - $18,714 thousand).

6. *Investment in Government Business*

River Park South Developments Inc.

On April 21, 2011, the City and Qualico Developments (Winnipeg) Ltd. entered into an agreement to jointly develop and sell residential land owned by the partners in the River Park South community of Winnipeg.

The results of operations in 2013 of $4,090 thousand (2012 - $3,985 thousand) are included in the Statement of Changes in Equity as other revenue.

7. *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.

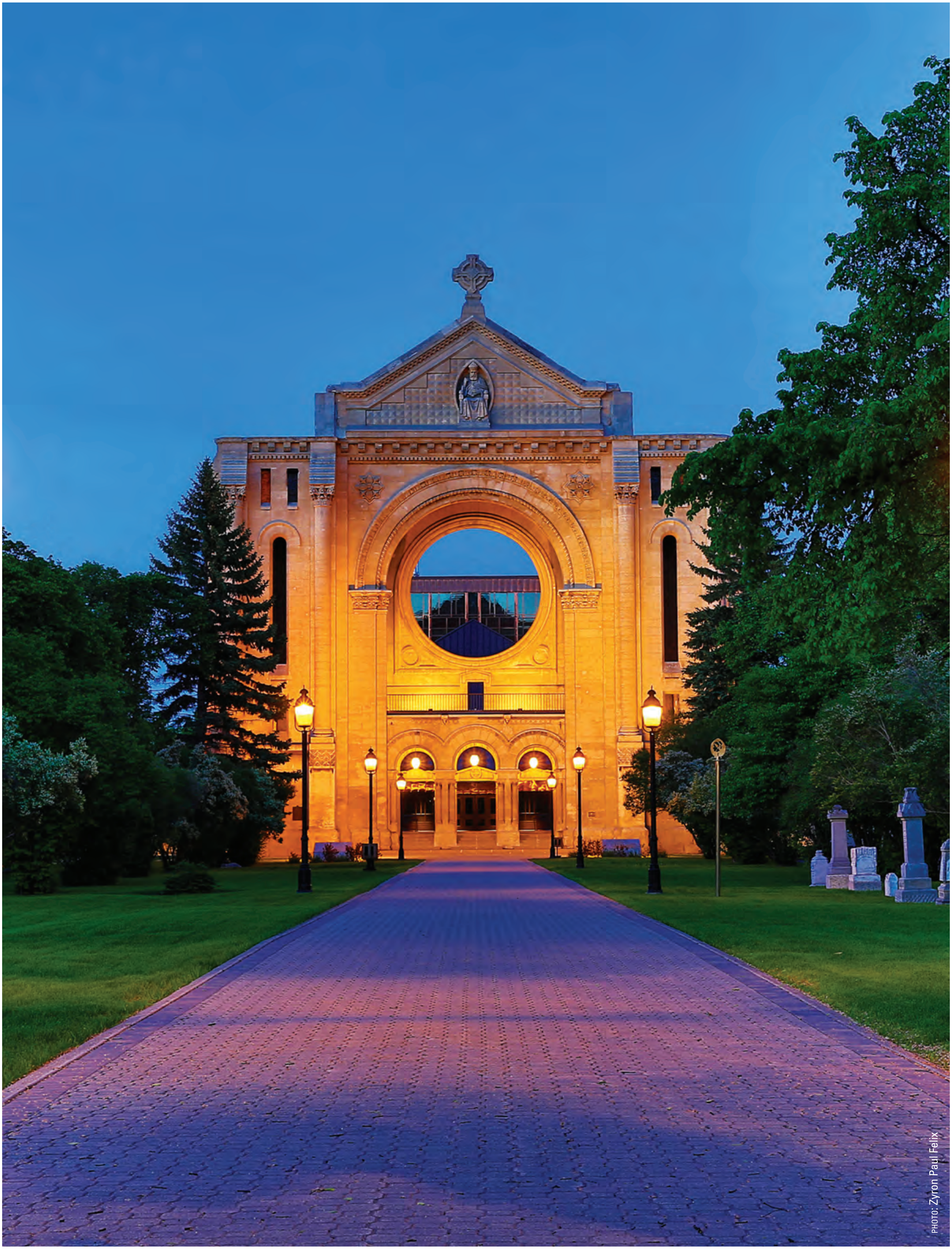

PHOTO: Zyron Paul Felix

THE CITY OF WINNIPEG
TRUST FUNDS

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

	Library Trust	Portage and Main Concourse Trust	2013 Totals	2012 Totals
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 280,851**	**$ 1,665**	**$ 282,516**	$ 360,271
EQUITY				
Unallocated	**$ 280,851**	**$ 1,665**	**$ 282,516**	$ 360,271

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)

	Library Trust	Portage and Main Concourse Trust	2013 Totals	2012 Totals
Opening balance	**$ 358,622**	**$ 1,649**	**$ 360,271**	$ 410,759
Add:				
Contributions	**226,304**	**-**	**226,304**	305,605
Interest earned	**2,851**	**16**	**2,867**	3,768
	229,155	**16**	**229,171**	309,373
Deduct:				
Disbursements	**306,926**	**-**	**306,926**	359,861
Closing balance	**$ 280,851**	**$ 1,665**	**$ 282,516**	$ 360,271

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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

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, 2013 effective interest rate was 0.9% (2012 - 0.9%).

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF FINANCIAL POSITION

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

		2013		2012
ASSETS				
Current				
Due from General Revenue Fund (Note 2)	**$**	**2,119**	$	2,099
Investment (Note 3)		**1,148**		1,148
	$	**3,267**	$	3,247
RETAINED EARNINGS	**$**	**3,267**	$	3,247

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF NET EARNINGS AND RETAINED EARNINGS

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

	2013	2012
REVENUES		
Interest	**$ 20**	$ 20
Net earnings for the year	**20**	20
RETAINED EARNINGS, BEGINNING OF YEAR	**3,247**	3,227
RETAINED EARNINGS, END OF YEAR	**$ 3,267**	$ 3,247

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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, 2013 effective interest rate was 0.9% (2012 - 0.9%).

3. *Investment*

	2013	2012
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.


PHOTO: Dan Harper

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 centres, 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)

	2013	2012	2011	2010	2009
Number of facilities	**129**	128	129	131	125
Total area square footage	**2,440,067**	2,456,441	2,455,171	2,471,474	2,409,827

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

STATEMENT OF FINANCIAL POSITION

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

	2013	2012
ASSETS		
Current		
Cash	**$ 30**	$ -
Due from General Revenue Fund (Note 3)	**1,584**	10,565
Accounts receivable (Note 4)	**137**	47
Inventories	**22**	-
Prepaid expenses	**711**	697
	$ 2,484	**$** 11,309
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	**$ 2,457**	$ 11,239
Deferred revenue	**27**	70
	$ 2,484	$ 11,309

Commitments (Note 6)

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)

	2013 Budget	2013 Actual	2012 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 8b)	**$ 64,726**	**$ 64,672**	$ 61,542
Investment and other	**294**	**377**	349
Other rental	**42**	**43**	42
Total Revenues	**65,062**	**65,092**	61,933
EXPENSES			
Municipal Accommodations	**47,031**	**47,350**	45,636
Transfer to General Capital Fund	**14,998**	**16,084**	13,018
Transfer to General Revenue Fund	**3,033**	**1,658**	3,279
Total Expenses (Note 9)	**65,062**	**65,092**	61,933
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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 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) Inventory

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

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.

1. *Significant Accounting Policies (continued)*

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.

f) 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 allowance for doubtful accounts receivable, obsolete inventory and employee benefits. Actual results could differ from those estimates.

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, 2013 effective interest rate was 0.9% (2012 - 0.9%).

4. *Accounts receivable*

	2013	2012
Maintenance billings and other	**$ 370**	$ 275
Allowance for doubtful accounts	**(233)**	(228)
	$ 137	$ 47

5. *Accounts Payable and Accrued Liabilities*

	2013	2012
Accounts payable and accrued liabilities	**$ 351**	$ 7,547
Performance deposits	**1,187**	2,874
Accrued interest on long-term debt	**603**	601
Accrued debenture principle	**49**	-
Wages and employee benefits	**267**	217
	$ 2,457	$ 11,239

6. *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:

2014	$ 5,094
2015	4,672
2016	4,532
2017	4,344
2018	4,058
Subsequent	41,794
	$ 64,494

7. *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, 2013 at $1.9 million (2012 - $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, 2013 at $606 thousand (2012 - $619 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, 2013 is estimated at $1.3 million (2012 - $1.3 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, 2013 is estimated at $654 thousand (2012 - $619 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 $1.3 million (2012 - $1.2 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, 2012 and has disclosed an actuarial surplus.

8. *Contributions and Appropriations from Related Parties*

a) Included in Municipal Accommodations Fund expenses are:
- Rental payments in the amount of $698 thousand (2012 - $730 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 $178 thousand (2012 - $190 thousand);
- Recovery from the Insurance Reserve of $186 thousand (2012 - $110 thousand);
- Transfer to the Computer Replacement Reserve of $11 thousand (2012 - $11 thousand);
- General government charges in the amount of $606 thousand (2012 - $557 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 $1 thousand (2012 - $7 thousand).

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

	2013	2012
General Revenue Fund	**$ 60,240**	$ 57,424
Sewage Disposal System	**1,232**	1,109
Waterworks System	**1,055**	1,189
Municipal Accommodations Fund	**583**	602
Fleet Management - Special Operating Agency	**488**	196
Transit System	**269**	269
Wading & Outdoor Pool Extended Season Reserve	**254**	278
Animal Services - Special Operating Agency	**212**	211
Solid Waste Disposal Fund	**203**	120
Winnipeg Parking Authority - Special Operating Agency	**137**	127
Golf Services - Special Operating Agency	**-**	17
	$ 64,673	$ 61,542

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

9. *Expenses by Object*

	2013 Budget	**2013 Actual**	2012 Actual
Services, materials and supplies	**$ 30,659**	**$ 31,013**	$ 28,577
Salaries and employee benefits	**17,868**	**17,453**	17,087
Transfer to General Capital Fund	**14,998**	**16,084**	13,018
Transfer to General Revenue Fund	**3,033**	**1,658**	3,279
Other grants and transfers	**1,081**	**1,142**	1,597
Debt and finance charges	**9**	**233**	160
Recoveries	**(2,586)**	**(2,491)**	(1,785)
	$ 65,062	**$ 65,092**	$ 61,933

10. *Related Party Transactions*

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the 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.

PHOTO: Zyron Paul Felix

2 0 1 3 U T I L I T I E S

D E T A I L E D F I N A N C I A L S T A T E M E N T S

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 $3.8 million from 2012, a 5.2 % increase. Revenue passengers for 2013 numbered over 49.5 million, a 1.3 % increase from 2012. This is the eleventh 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 $33.5 million was provided to Winnipeg's transit system. This is $0.4 million more than the previous year. The Province of Manitoba's capital grant commitment was $10.0 million, decreasing by $0.4 million from the previous year.

For purposes of funding capital investments, funds transferred to the Transit System included $12.9 million from the Federal Gas Tax Reserve, and $7.1 million from the Transit Bus Replacement Reserve.

The appropriation from the General Revenue Fund decreased by $0.4 million from the previous year, a component of the net increase in revenues of $5.8 million. The major contributor to the net increase in revenues is fare revenue followed by charter services. Operating expenses increased by $6.5 million from the previous year. The majority of this increase was due to the impact of contractual agreements on salaries and wages, and service additions including incremental costs related to the full year of operations of the Southwest Transitway.

Handi-transit's demand decreased from 2012 by 3.0%. Costs were higher than the previous year by $0.1 million mainly due to increased contractor rates.

Several achievements were realized during the year, including:

- New digital customer information kiosks were installed at the Millennium Library and St. Vital Centre.

- The functional design study for Stage 2 of the Southwest Rapid Transitway was initiated in 2013.

- During 2013, forty-eight air-conditioned buses were delivered, including nineteen pre-owned articulated buses, continuing with the 2007 decision to have all future bus purchases include air conditioning.

- The articulated buses were introduced into the fleet and made ready for service and bus stop platforms were lengthened at over three hundred stops to accommodate this service.

- Thirty new transit shelters were placed during 2013, and thirty bus stop platforms were upgraded.

- Transit took occupancy of the new Brandon Avenue Transit Garage in 2013, which is adjacent to the existing Fort Rouge Garage facility and will house approximately 150 buses.

- Work continued on the development of a new automated fare collection system. The new system has included the replacement of outdated fare box equipment during 2013, with the introduction of new fare payment options expected to occur in 2014.

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)

		2013		2012		2011		2010		2009
Financial Position										
Tangible capital assets	**$**	**312,213**	$	291,368	$	270,709	$	216,871	$	161,378
Total assets	**$**	**328,034**	$	308,566	$	303,610	$	259,965	$	174,444
Debt	**$**	**111,184**	$	112,260	$	115,056	$	87,737	$	28,618
Total liabilities	**$**	**117,305**	$	117,460	$	130,611	$	97,153	$	36,333
Operations										
Passenger revenue	**$**	**76,482**	$	72,672	$	69,946	$	65,592	$	63,906
- in relation to total revenue		**45.93%**		45.22%		46.31%		45.62%		47.38%
Appropriation from General Revenue Fund	**$**	**45,888**	$	46,279	$	44,172	$	43,200	$	42,069
- in relation to total revenue		**27.56%**		28.79%		29.24%		30.04%		31.19%
Provincial operating transfers	**$**	**33,534**	$	33,164	$	30,819	$	27,877	$	24,276
Operations expenses	**$**	**68,683**	$	65,268	$	60,920	$	60,730	$	56,580
Plant and equipment expenses	**$**	**48,372**	$	44,453	$	43,425	$	38,429	$	36,484
Total expenses	**$**	**147,434**	$	140,895	$	133,290	$	126,707	$	117,972
Cash Flows										
Operating activities	**$**	**39,171**	$	27,348	$	32,172	$	38,039	$	74,605
Debt issued, net	**$**	**1,459**	$	(165)	$	29,553	$	60,324	$	3,302
Payments to The Sinking Fund Trustees, net	**$**	**(1,764)**	$	(1,764)	$	(1,486)	$	(559)	$	(650)
Capital expenses	**$**	**(40,180)**	$	(38,521)	$	(69,108)	$	(68,835)	$	(65,066)
Financial Statistics and Selected Ratios										
Regular cash fare, end of year	**$**	**2.50**	$	2.45	$	2.40	$	2.35	$	2.30
Handi-transit -										
Annual ridership (in thousands)		**467.2**		481.2		508.6		511.1		517.6
Total cost per passenger	**$**	**22.09**	$	21.11	$	19.29	$	17.95	$	17.39
Revenue to cost ratio		**10%**		10%		12%		12%		12%
Regular transit -										
Annual ridership (in millions)		**49.6**		48.9		47.4		45.2		43.9
Bus hours operated (in thousands)		**1,518**		1,477		1,424		1,412		1,396
Direct operating cost per passenger	**$**	**2.62**	$	2.52	$	2.47	$	2.47	$	2.42
Direct operating cost per vehicle hour	**$**	**85.67**	$	83.37	$	82.14	$	78.98	$	75.51
Revenue to cost ratio		**62%**		61%		62%		62%		63%
Municipal operating cost per capita	**$**	**48.84**	$	48.64	$	52.62	$	51.64	$	54.39

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2013	2012
FINANCIAL ASSETS		
Cash	**$ 302**	$ 93
Accounts receivable (Note 3)	**3,466**	2,839
Due from General Revenue Fund (Note 4)	**6,823**	9,061
	10,591	11,993
LIABILITIES		
Accounts payable and accrued liabilities	**6,121**	5,200
Debt (Note 5)	**111,184**	112,260
	117,305	117,460
NET FINANCIAL LIABILITIES	**(106,714)**	(105,467)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**312,213**	291,368
Inventory (Note 7)	**4,437**	4,366
Prepaid expenses	**793**	839
	317,443	296,573
ACCUMULATED SURPLUS (Note 8)	**$ 210,729**	$ 191,106

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)

	2013 Budget	2013 Actual	2012 Actual
REVENUES			
System generated (Note 9)	**$ 79,745**	**$ 80,882**	$ 75,228
Appropriation from General Revenue Fund	**45,849**	**45,888**	46,279
Provincial Government transfers (Note 10)	**38,596**	**35,141**	34,698
Appropriation from Rapid Transit Infrastructure Reserve	**3,603**	**3,603**	3,270
Interest and other	**1,021**	**995**	1,244
Total revenues from operations	**168,814**	**166,509**	160,719
EXPENSES			
Operations (Note 11)	**71,269**	**68,683**	65,268
Plant and equipment (Note 12)	**50,325**	**48,372**	44,453
Other departmental (Note 13)	**13,032**	**12,520**	12,993
Handi-transit	**10,128**	**9,927**	9,788
Finance and administration	**3,309**	**2,710**	2,911
Planning, schedules and marketing	**2,137**	**1,943**	2,373
Information systems	**1,376**	**1,410**	1,314
Customer services	**1,267**	**1,208**	1,243
Human resources	**696**	**661**	552
Total expenses from operations (Note 14)	**153,539**	**147,434**	140,895
Surplus for the year from operations	**15,275**	**19,075**	19,824
Net surplus from capital (Note 15)	**(15,275)**	**548**	(1,717)
NET SURPLUS FOR THE YEAR	**-**	**19,623**	18,107
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**-**	**191,106**	172,999
ACCUMULATED SURPLUS, END OF YEAR	**$ -**	**$ 210,729**	$ 191,106

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)

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 19,623**	$ 18,107
Non-cash items related to operations		
Amortization	**19,325**	17,842
Gain on disposal of tangible capital assets	**(46)**	(47)
Working capital from operations	**38,902**	35,902
Net change in other working capital	**269**	(8,554)
	39,171	27,348
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")	**(771)**	(867)
Debt issued	**3,972**	2,084
Payments on other debt	**(2,513)**	(2,249)
Payments to The Sinking Fund Trustees for outstanding debt	**(1,764)**	(1,764)
Due from General Revenue Fund	**2,238**	13,960
	1,162	11,164
INVESTING		
Acquisition and construction of tangible capital assets	**(40,180)**	(38,521)
Proceeds on disposal of tangible capital assets	**56**	67
	(40,124)	(38,454)
Increase in cash	**209**	58
Cash, beginning of year	**93**	35
Cash, end of year	**$ 302**	$ 93

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
TRANSIT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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, 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 transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

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 requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City’s behalf in which case a liability will be recognized in the consolidated financial statements.

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*

	2013	2012
Advertising rights, charter and other	**$ 2,900**	$ 2,105
Province of Manitoba	**566**	734
	$ 3,466	$ 2,839

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, 2013 effective interest rate was 0.9% (2012- 0.9%).

5. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2013**	Amount of Debt 2012
1993-2013	Feb. 11	9.375	VN	6090/93	**$ -**	$ 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**	29,750
					103,250	108,250
Funds on deposit with the Sinking Funds (Note 5b)					**(16,064)**	(18,529)
Net sinking fund debentures outstanding					**87,186**	89,721

Other debt outstanding

	2013	2012
Serial debentures issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.15% (2012 - 4.53%)	**686**	1,459
General Capital Fund debt issued by the City with varying maturities up to 2033 and a weighted average interest rate of 6.08% (2012 - 6.21%)	**23,312**	21,080
	$ 111,184	$ 112,260

Principal retirement on debt over the next five years are as follows:

	2014	2015	2016	2017	2018	Thereafter
Sinking fund debentures	$ 6,500	$ 7,000	$ -	$ -	$ -	$ 89,750
Serial debentures	311	75	75	75	75	75
General Capital Fund debt	1,729	1,693	1,777	1,579	1,638	14,896
	$ 8,540	$ 8,768	$ 1,852	$ 1,654	$ 1,713	$ 104,721

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 in a separate fund by the City. The Winnipeg Transit System is currently paying between one to three percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

5. Debt (continued)

c) Included in interest and finance charges expense is $1.3 million (2012 - $1.3 million) paid to the General Capital Fund.

d) Cash paid for interest during the year was $5.8 million (2012 - $6.1 million).

6. Tangible Capital Assets

	Net Book Value	
	2013	2012
Vehicles	**$ 116,419**	$ 113,716
Buildings	**6,173**	6,240
Land improvements	**12,874**	14,313
Land	**14,066**	13,812
Roads, bridges and tunnels	**118,415**	122,496
Other	**21,007**	11,388
Assets under construction	**23,259**	9,403
	$ 312,213	$ 291,368

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

7. Inventory

	2013	2012
Stores	**$ 4,394**	$ 4,233
Tickets, passes and other	**43**	133
	$ 4,437	$ 4,366

8. Accumulated Surplus

	2013	2012
Appropriated	**$ 6,972**	$ 6,263
Unappropriated	**4,763**	5,735
Total accumulated surplus	**11,735**	11,998
Invested in tangible capital assets	**198,994**	179,108
	$ 210,729	$ 191,106

9. System Generated

	2013 Budget	**2013 Actual**	2012 Actual
Passenger	**$ 77,346**	**$ 76,482**	$ 72,672
Advertising rights	**1,520**	**2,247**	1,638
Charter and other	**879**	**2,153**	918
	$ 79,745	**$ 80,882**	$ 75,228

10. Provincial Government Transfers

The Provincial Government provided transfers of $33.5 million (2012 - $33.2 million) towards the operation of the Transit System, $1.6 million (2012 - $1.5 million) as a Local Government Support Transfer and $10.0 million (2012 - $10.4 million) as a Capital Transfer.

11. Operations

	2013 Budget	2013 Actual	2012 Actual
Bus operators	**$ 65,569**	**$ 62,647**	$ 59,890
Inspectors	**2,656**	**2,670**	2,337
Operations administration	**1,868**	**1,922**	1,821
Instruction	**1,176**	**1,444**	1,220
	$ 71,269	**$ 68,683**	$ 65,268

12. Plant and Equipment

	2013 Budget	2013 Actual	2012 Actual
Bus servicing	**$ 22,115**	**$ 21,419**	$ 19,763
Vehicle maintenance and overhaul	**18,750**	**18,035**	16,365
Facilities maintenance	**6,216**	**5,614**	5,167
Maintenance administration	**3,244**	**3,304**	3,158
	$ 50,325	**$ 48,372**	$ 44,453

13. Other Departmental

	2013 Budget	2013 Actual	2012 Actual
Interest and finance charges	**$ 7,277**	**$ 6,892**	$ 7,370
Taxes	**2,269**	**2,231**	2,149
Insurance and claims	**1,379**	**1,363**	1,566
General government charges and other	**1,269**	**1,310**	1,252
Employee benefits	**838**	**724**	656
	$ 13,032	**$ 12,520**	$ 12,993

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, 2013 is estimated at $5.2 million (2012 - $5.0 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, 2013 at $6.9 million (2012 - $6.9 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, 2013 at $2.0 million (2012 - $1.8 million).

The City of Winnipeg operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, The City of Winnipeg pays actual costs incurred plus an administration fee. The City of Winnipeg recognizes a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is estimated to be $3.6 million (2012 - $2.8 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, $6.8 million (2012 - $6.2 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, 2012 and has an actuarial surplus.

b) General government charges

Included in general government charges and other is $781 thousand (2012 - $777 thousand) 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 $269 thousand (2012 - $269 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 2013, realty and business taxes paid to the General Revenue Fund was $543 thousand (2012 - $542 thousand).

e) Insurance

Included in expenses is a credit of $85 thousand (2012 - expense of $393 thousand) that has been recovered from the Insurance Reserve.

f) 311 and business technology services

Included in expenses is $782 thousand (2012 - $782 thousand) that has been charged by the General Revenue Fund for services provided by the Corporate Support Services department.

14. *Expenses by Object*

	2013 Budget	**2013 Actual**	2012 Actual
Salaries and wages	**$ 80,479**	**$ 77,289**	$ 74,037
Materials and supplies	**28,002**	**27,363**	25,214
Employee benefits	**16,596**	**15,970**	15,023
Services	**15,608**	**15,153**	15,137
Interest on debt	**7,192**	**6,877**	7,354
Taxes - municipal and payroll	**2,269**	**2,231**	2,149
Other	**2,558**	**1,925**	1,656
Insurance and transfer to Insurance Reserve	**1,589**	**1,436**	1,883
Recoveries	**(753)**	**(810)**	(1,558)
	$ 153,540	**$ 147,434**	$ 140,895

15. Net Surplus from Capital

	2013 Budget	2013 Actual	2012 Actual
Revenues			
Transfer from Federal Gas Tax Reserve	$ -	$ 12,926	$ 5,625
Province of Manitoba capital transfers (Note 10)	-	9,962	10,358
Transfer from Transit Bus Replacement Reserve	-	7,139	10,093
Gain on disposal of tangible capital assets	-	46	47
Transfer from Rapid Transit Infrastructure Reserve	-	-	2,151
	-	30,073	28,274
Expenses			
Amortization	5,232	19,325	17,842
Transfer to Transit Bus Replacement Reserve	7,534	7,590	8,057
Transfer to Rapid Transit Infrastructure Reserve	2,509	2,509	4,092
Work in process costs expensed in year	-	101	-
	15,275	29,525	29,991
	$ (15,275)	$ 548	$ (1,717)

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	$ 203,850	$ 15,412	$ 24,591
Add: Additions during the year	13,925	365	534
Less: Category transfer during the year	-	-	-
Less: Disposals during the year	(4,836)	(71)	-
Balance, end of year	212,939	15,706	25,125
Accumulated amortization			
Balance, beginning of year	(90,134)	(9,172)	(10,278)
Add: Amortization	(11,222)	(422)	(1,973)
Less: Accumulated amortization on disposal	4,836	61	-
Balance, end of year	(96,520)	(9,533)	(12,251)
Net Book Value of Tangible Capital Assets	$ 116,419	$ 6,173	$ 12,874

Schedule 1

Land	**Roads, Bridges, and Tunnels**	**Other**	**Assets Under Construction**	**2013**	2012
$ 13,812	$ 127,056	$ 20,349	$ 9,403	**$ 414,473**	$ 381,331
254	(634)	11,880	13,856	**40,180**	38,521
-	-	-	-	**-**	-
-	-	(410)	-	**(5,317)**	(5,379)
14,066	126,422	31,819	23,259	**449,336**	414,473
-	(4,560)	(8,961)	-	**(123,105)**	(110,622)
-	(3,447)	(2,261)	-	**(19,325)**	(17,842)
-	-	410	-	**5,307**	5,359
-	(8,007)	(10,812)	-	**(137,123)**	(123,105)
$ 14,066	$ 118,415	$ 21,007	$ 23,259	**$ 312,213**	$ 291,368

PHOTO: AJ Batac

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, sewage, 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, Utility Dividend 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.

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 Waterworks System dividend was $7.8 million in 2013 (2012 - $7.2 million).

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2013	2012	2011	2010	2009
Block 1 rate in dollars (per cu. metre)	**$ 1.39**	$ 1.35	$ 1.34	$ 1.29	$ 1.25
Annual water pumped (million litres)	**74,374**	83,927	79,975	75,031	78,587
Water pumped in litres per capita per day	**285**	328	316	301	326
Average daily water pumped (million litres per day)	**204**	229	219	206	215
Maximum day water pumping rates (million litres per day)	**260**	312	291	247	259
Maximum hour water pumping rates (million litres per day)	**369**	479	468	361	384
Kilometres of aqueduct	**174.5**	174.5	174.5	174.5	174.5
Kilometres of feeder mains	**149.9**	149.9	148.3	149.6	150.2
Kilometres of water mains	**2,584.7**	2,557.0	2,531.0	2,543.2	2,519.3
Number of hydrants	**21,335**	21,101	21,031	20,698	20,562
Number of billed services	**199,626**	197,651	195,939	194,600	193,107

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2013	2012
ASSETS		
Current		
Cash	**$ 4**	$ 20
Accounts receivable (Note 3)	**19,646**	16,796
Due from General Revenue Fund (Note 4)	**25,350**	41,387
Inventories	**1,313**	1,368
Prepaid expenses	**75**	2
	46,388	59,573
Tangible capital assets (Note 5)	**887,566**	871,827
Deferred charges (Note 6)	**2,127**	2,220
	$ 936,081	$ 933,620
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	**$ 6,065**	$ 6,671
Current portion of long-term debt (Note 8)	**4,330**	4,324
	10,395	10,995
Long-term debt (Note 8)	**143,493**	150,205
	153,888	161,200
ACCUMULATED SURPLUS (Note 9)	**782,193**	772,420
	$ 936,081	$ 933,620

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2013 Budget	2013 Actual	2012 Actual
REVENUES (Schedule 1)			
Sale of goods and services (Note 10)	**$ 97,410**	**$ 96,205**	$ 93,108
Government transfers, permits and other	**1,820**	**1,805**	3,121
Interest	**2,582**	**2,812**	2,718
Total revenues	**101,812**	**100,822**	98,947
EXPENSES (Schedules 2 and 3)			
Water distribution	**42,446**	**41,338**	42,345
Debt and finance	**18,621**	**11,886**	12,306
Taxes, employee benefits and other (Note 11)	**6,266**	**5,803**	6,551
Engineering services	**3,804**	**3,370**	3,337
Finance and administration	**3,089**	**3,354**	3,217
Information systems and technology	**2,202**	**2,286**	1,812
Environmental standards	**1,298**	**1,262**	1,160
Customer services	**1,235**	**1,172**	1,186
Human resources	**1,580**	**940**	833
Total expenses from operations	**80,541**	**71,411**	72,747
Surplus for the year from operations	**21,271**	**29,411**	26,200
Transfers to other funds (Note 12)	**15,000**	**15,000**	14,232
Net surplus from operations after transfers to other funds	**6,271**	**14,411**	11,968
Net surplus from capital (Schedule 4)	**-**	**3,126**	6,875
NET SURPLUS FOR THE YEAR	**$ 6,271**	**17,537**	18,843
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**772,420**	760,800
CITY OF WINNIPEG - GENERAL REVENUE FUND UTILITY DIVIDEND PAYMENT		**(7,764)**	(7,223)
ACCUMULATED SURPLUS, END OF YEAR		**$ 782,193**	$ 772,420

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)

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 17,537**	$ 18,843
Non-cash items related to operations		
Amortization	**21,009**	20,611
Loss on disposal of tangible capital assets	**17**	124
Amortization of debenture discount	**93**	93
Working capital from operations	**38,656**	39,671
Change in net working capital other than cash	**(3,467)**	183
	35,189	39,854
FINANCING		
Debt retired	**(194)**	(182)
Utility dividend payment	**(7,764)**	(7,223)
Interest on sinking fund	**(2,382)**	(2,295)
Due from General Revenue Fund	**16,037**	5,512
Payments to sinking fund	**(4,136)**	(4,136)
	1,561	(8,324)
INVESTING		
Purchase of tangible capital assets	**(36,766)**	(31,587)
Decrease in cash	**(16)**	(57)
Cash, beginning of year	**20**	77
Cash, end of year	**$ 4**	$ 20

See accompanying notes and schedules to the financial statements

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

1. *Significant Accounting Policies*

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

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
Bridges and structures	25 to 30 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.

c) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

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 requirements, and reasonable estimates of the amounts can be determined.

1. *Significant Accounting Policies (continued)*

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

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. In 2009, City Council directed that 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. Since 2009, the Water Main Renewal Reserve is funded through water rates.

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*

	2013	2012
Water billings and other	**$ 20,046**	$ 17,196
Allowance for doubtful accounts	**(400)**	(400)
	$ 19,646	$ 16,796

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, 2013 effective interest rate was 0.9% (2012 - 0.9%).

5. *Tangible Capital Assets*

	Net Book Value 2013	Net Book Value 2012
Land	**$ 1,824**	$ 1,824
Buildings	**3,590**	3,695
Machinery and equipment	**858**	977
Computer	**9,894**	11,516
Underground networks	**541,515**	520,572
Road and bridges	**606**	-
Water pumping stations and reservoirs	**323,248**	327,825
Assets under construction	**6,031**	5,418
	$ 887,566	$ 871,827

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

During 2013 and 2012 there were no write-downs of tangible capital assets and interim financing charges capitalized during 2013 were $196 thousand (2012 - $44 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totaled $12.0 million in 2013 (2012 - $12.7 million) and were capitalized at their fair value at the time of receipt.

6. *Deferred Charges*

	2013	2012
Deferred debenture discount	**$ 2,127**	$ 2,220

7. *Accounts Payable and Accrued Liabilities*

	2013	2012
Accrued debenture interest	**$ 4,580**	$ 4,763
Other accrued liabilities	**610**	1,024
Deferred revenue and other	**475**	476
Trade accounts payable	**400**	408
	$ 6,065	$ 6,671

8. *Long-Term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2013**	Amount of Debt 2012
1993-2013	Feb. 11	9.375	VN	6090/93	**$ -**	$ 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
					198,000	203,000
Equity in Sinking Funds (Note 8b)					**(52,916)**	(51,398)
Net sinking fund debentures outstanding					**145,084**	151,602

Other long-term debt outstanding

	2013	2012
Canada Mortgage and Housing Corporation ("CMHC") debt, maturity in 2025, interest rate of 3.35%	**2,739**	2,927
	147,823	154,529
Current portion of long-term debt	**(4,330)**	(4,324)
	$ 143,493	$ 150,205

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

	2014	2015	2016	2017	2018	Thereafter
Sinking fund debentures	$ 13,000	$ 25,000	$ -	$ -	$ -	$ 160,000
CMHC	194	201	207	214	222	1,701
	$ 13,194	$ 25,201	$ 207	$ 214	$ 222	$ 161,701

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 of Winnipeg Waterworks System is currently paying between two and three percent 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 $11.8 million (2012 - $12.2 million).

9. *Accumulated Surplus*

	2013	2012
Invested in tangible capital assets	**$ 739,744**	$ 717,298
Retained earnings	**50,213**	62,345
Utility dividend payment	**(7,764)**	(7,223)
	$ 782,193	$ 772,420

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 adopted budget gross sales.

10. *Revenue*

Effective January 1, 2013 the block 1 water rate was $1.39 per hundred cubic metres (2012 - $1.35).

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 2013, taxes paid to the General Revenue Fund was $2.3 million (2012 - $2.3 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, 2013 is $2.8 million (2012 - $2.7 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, 2013 is estimated at $1.3 million (2012 - $0.8 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, 2013 at $1.1 million (2012 - $1.1 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, 2013 at $4.1 million (2012 - $4.2 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 $3.0 million (2012 - $2.8 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, 2012 and has disclosed an actuarial surplus.

11. Taxes, Employee Benefits and Other (continued)

General government charges

Included in expenses is $988 thousand (2012 - $1.4 million) in general government service charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure. The actual business technology service charges applicable to the Waterworks System for 2013 are captured under Transfers.

Rent

Included in expenses is $1.1 million (2012 - $1.2 million) that has been charged by the Municipal Accommodations Fund for the rental of office space.

Insurance and damage claims

Included in expenses is $193 thousand (2012 - $417 thousand) charged by the City of Winnipeg Insurance Reserve.

12. Transfers to Other Funds

The Waterworks System transfers to other funds are as follows:

	2013	2012
Transfer to Water Main Renewal Reserve	**$ 15,000**	$ 14,000
Transfer to General Capital Fund	**-**	232
	$ 15,000	$ 14,232

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)

	2013 Budget	2013 Actual	2012 Actual
Sale of goods and services			
Water sales	$ 97,054	$ 95,847	$ 92,812
Fire hydrant and other rentals	346	281	294
Sale of scrap material	10	77	2
	97,410	96,205	93,108
Government transfers, permits and other			
Permits and fees	920	943	972
Provincial support transfer	794	705	707
Other	106	157	1,442
	1,820	1,805	3,121
Interest			
Sinking Fund earnings	2,382	2,382	2,295
Interest	140	234	379
Interest capitalized	60	196	44
	2,582	2,812	2,718
Total Revenues	$ 101,812	$ 100,822	$ 98,947

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2013 Budget	2013 Actual	2012 Actual
Water treatment and distribution			
Water treatment plant	$ 17,646	$ 16,019	$ 17,582
Water main maintenance	8,441	9,779	9,858
Service pipe maintenance	3,864	4,946	3,974
General administration	1,946	2,159	2,338
Hydrant maintenance	2,399	1,823	2,107
Emergency services	2,285	1,755	1,828
Railway maintenance and operations	1,880	1,643	1,551
Water meter maintenance	1,402	1,126	1,132
Valve maintenance	879	677	483
Mechanical/civil/electrical maintenance allocation	719	600	641
Intake operation	548	476	503
Stores - 552 Plinguet	359	293	296
Meter shop	78	42	52
	42,446	41,338	42,345
Debt and finance			
Long-term debt			
Interest	11,822	11,794	12,214
Amortization	6,707	-	-
Finance charges	92	92	92
	18,621	11,886	12,306
Taxes, employee benefits and other			
Property taxes	2,756	2,758	2,721
Rent	1,060	1,045	1,189
Employee benefits	658	930	1,048
General government charges	896	896	921
Provincial payroll tax	765	712	699
Insurance and damage claims	502	601	582
Other services	229	165	187
Recoveries	(600)	(1,304)	(796)
	6,266	5,803	6,551

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2013 Budget	**2013 Actual**	2012 Actual
Engineering services division			
Water planning	**1,346**	**899**	1,088
Administration	**340**	**592**	472
Drafting and graphics	**551**	**547**	555
Design and construction	**653**	**538**	530
Customer technical services	**419**	**376**	317
Asset management	**332**	**265**	231
Services development	**163**	**153**	144
	3,804	**3,370**	3,337
Finance and administration division			
Customer billing	**2,004**	**2,194**	2,098
Accounting services	**308**	**357**	281
Administrative services	**236**	**268**	300
Financial planning	**203**	**230**	291
Process improvement	**164**	**151**	117
Knowledge management	**174**	**145**	130
Landfill billing	**-**	**9**	-
	3,089	**3,354**	3,217
Information systems and technology division			
Support services	**873**	**921**	708
Major systems	**890**	**746**	1,042
Planning and Design	**439**	**619**	62
	2,202	**2,286**	1,812
Environmental standards division			
Analytical services	**695**	**724**	752
Compliance	**292**	**277**	276
Administration	**311**	**261**	132
	1,298	**1,262**	1,160
Customer services division			
Customer relations	**893**	**843**	903
Administration	**276**	**246**	212
Communications	**66**	**83**	71
	1,235	**1,172**	1,186

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2013 Budget	2013 Actual	2012 Actual
Human resources division			
Human resources	**656**	**449**	351
Timekeeping and payroll	**295**	**196**	184
Human resources training	**266**	**168**	158
Work place health and safety	**363**	**127**	140
	1,580	**940**	833
Total Expenses from Operations	**80,541**	**71,411**	72,747
Transfers to other funds (Note 12)			
Transfer to Water Main Renewal Reserve	**15,000**	**15,000**	14,000
Transfer to General Capital Fund	**-**	**-**	232
Total transfers to other funds	**15,000**	**15,000**	14,232
Total Expenses	**$ 95,541**	**$ 86,411**	$ 86,979

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2013 Budget	**2013 Actual**	2012 Actual
Goods and services	**$ 32,754**	**$ 33,466**	$ 32,371
Salaries	**36,064**	**32,580**	32,794
Transfers	**16,075**	**16,099**	14,769
Interest on long-term debt	**11,821**	**11,791**	12,214
Employee benefits	**6,679**	**6,547**	6,622
Other expenses	**5,189**	**5,084**	5,566
Grants	**150**	**120**	120
Finance charges	**92**	**95**	92
Amortization	**6,706**	**-**	-
Recoveries	**(19,989)**	**(19,371)**	(17,569)
Total Expenses	**$ 95,541**	**$ 86,411**	$ 86,979

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2013 Actual	2012 Actual
Revenues		
Transfers		
Water Main Renewal Reserve	**$ 12,182**	$ 15,274
Sewage Disposal System	**83**	365
	12,265	15,639
Developer contributions-in-kind	**12,011**	12,692
Total revenue from capital	**24,276**	28,331
Expenses		
Amortization	**21,009**	20,611
Loss on disposal of tangible capital assets	**17**	124
Transfer to Sewage Disposal System	**14**	282
Other expenses	**110**	439
Total expenses from capital	**21,150**	21,456
Net surplus from capital	**$ 3,126**	$ 6,875

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	$ 5,678	$ 9,934	$ 38,425
Add: Additions during the year	-	-		162
Less: Disposals during the year	-	-	-	-
Balance, end of year	1,824	5,678	9,934	38,587
Accumulated amortization				
Balance, beginning of year	-	1,982	8,957	26,910
Add: Amortization	-	106	119	1,783
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	-	2,088	9,076	28,693
Net Book Value of Tangible Capital Assets	$ 1,824	$ 3,590	$ 858	$ 9,894

Infrastructure					Totals	
Underground Networks	Roads and Bridges	Water Pumping Stations and Reservoirs	Assets Under Construction		**2013**	2012
$ 751,860	$ -	$ 402,824	$ 5,418		**$ 1,215,963**	$ 1,185,928
32,224	616	3,151	613		**36,766**	31,587
(2,425)	-	-	-		**(2,425)**	(1,551)
781,659	616	405,975	6,031		**1,250,304**	1,215,964
231,289	-	74,999	-		**344,137**	324,953
11,263	10	7,728	-		**21,009**	20,611
(2,408)	-	-	-		**(2,408)**	(1,427)
240,144	10	82,727	-		**362,738**	344,137
$ 541,515	$ 606	$ 323,248	$ 6,031		**$ 887,566**	$ 871,827

PHOTO: Joemax Kiamco

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, sewage, land drainage, flood control and solid waste services to the residents and businesses 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 sewage generated in Winnipeg as well as hauled liquid waste received from Winnipeg and 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 sewage treatment plants, biosolids 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 and Sewer System Rehabilitation Reserve.

An Environmental Projects Reserve Fund was authorized by City Council on December 17, 1993. It was established to fund environmental projects to protect river quality. River quality is under the jurisdiction of the Province of Manitoba. In 2003, the Clean Environment Commission (CEC) conducted public hearings to review and receive comments on the City's sewage collection and treatment improvement program, and made several recommendations to upgrade and improve the sewage collection and treatment systems. In response Manitoba Conservation issued Environment Act Licences to the City for the North End, West End, and South End Sewage Treatment Plants (NESTP, WESTP and SESTP). The Licences stipulate effluent parameters that require upgrades to the sewage treatment plants. The Licences require effluent disinfection, nutrient removal, centrate treatment, combined sewer overflow mitigation, and solids management to be in compliance with the Environment Act. 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. 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 including a portion of the sewage collection and treatment system improvements as directed by the Province of Manitoba.

Sewage treatment upgrades to the NESTP effluent disinfection, NESTP centrate, and WESTP are complete and fully operational.

Engineering design efforts on nutrient removal at the SESTP 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 NESTP nutrient reduction and recovery, including solids handling, were initiated in 2011 and will adhere to the Water Protection Act, which is a provincial act that stipulates biological nutrient removal requirements.

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 System dividend was $11.5 million in 2013 (2012 - $10.7 million).

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2013	2012	2011	2010	2009
Rate in dollars (per cubic meter)	**$ 2.15**	$ 2.10	$ 1.97	$ 1.91	$ 1.86
Annual sewage received (million litres)*	**89,423**	90,685	104,784	114,941	112,974
Daily sewage received (million litres)*	**245.0**	247.8	290.4	314.9	309.5
Kilometres of interceptor sewers	**119.4**	118.7	120.8	120.8	116.2
Kilometres of combined sewers **	**1,037.0**	1,039.1	1,041.7	1,040.5	1,043.5
Kilometres of wastewater sewers	**1,423.0**	1,391.0	1,376.4	1,359.6	1,351.6
Kilometres of storm sewers ***	**1,359.8**	1,326.1	1,307.9	1,850.0	1,838.9
Number of lift stations	**74**	74	74	73	73
Number of billed sewer services	**199,498**	197,530	195,807	194,060	192,569

Note:

* Sewage received is dependent on both levels of precipitation and water conservation efforts.

** Reduction in combined sewers is due to sewer separation projects resulting from the combined sewer overflow and basement flood management program.

*** Prior years restated to include both land drainage sewer mains and storm relief sewer mains.

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2013	2012
ASSETS		
Current		
Cash	**$ 1**	$ 1
Inventory	**216**	223
Accounts receivable (Note 3)	**33,207**	30,549
Prepaid expenses	**667**	867
Due from General Revenue Fund (Note 4)	**68,202**	68,829
	102,293	100,469
Tangible capital assets (Note 5)	**867,531**	835,317
	$ 969,824	$ 935,786
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 8,428**	$ 7,904
Performance and other deposits	**3,598**	2,316
Current portion of long-term debt (Note 7)	**1,509**	3,927
	13,535	14,147
Long-term debt (Note 7)	**89**	3,420
	13,624	17,567
ACCUMULATED SURPLUS (Note 8)	**956,200**	918,219
	$ 969,824	$ 935,786

Commitment (Note 9)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2013 Budget	2013 Actual	2012 Actual
REVENUES (Schedule 1)			
Sewer services (Note 10)	**$ 143,417**	**$ 138,904**	$ 136,601
Government transfers, permits and other	**7,186**	**6,893**	6,393
Interest	**2,422**	**2,554**	4,118
Total revenues	**153,025**	**148,351**	147,112
EXPENSES (Schedules 2 and 3)			
Collection, interception and treatment	**40,950**	**39,522**	38,303
Taxes, employee benefits and other (Note 11)	**12,790**	**12,779**	13,473
Engineering services	**8,625**	**6,433**	5,160
Debt and finance	**8,998**	**3,253**	6,668
Finance and administration	**3,627**	**3,166**	3,231
Environmental standards	**2,509**	**2,267**	2,211
Information systems and technology	**2,121**	**1,922**	1,540
Customer services	**1,088**	**880**	954
Human resources	**367**	**813**	746
Total expenses from operations	**81,075**	**71,035**	72,286
Surplus for the year from operations	**71,950**	**77,316**	74,826
Transfers to other funds (Note 12)	**44,642**	**43,380**	44,954
Net surplus for the year from operations after transfer to other funds	**27,308**	**33,936**	29,872
Net surplus from capital (Schedule 4)	**-**	**15,518**	14,321
Net surplus for the year	**$ 27,308**	**49,454**	44,193
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**918,219**	884,734
CITY OF WINNIPEG - GENERAL REVENUE FUND UTILITY DIVIDEND PAYMENT		**(11,473)**	(10,708)
ACCUMULATED SURPLUS, END OF YEAR		**$ 956,200**	$ 918,219

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)

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 49,454**	$ 44,193
Non-cash items related to operations		
Amortization	**20,429**	19,830
Loss on disposal of tangible capital assets	**97**	815
Working capital from operations	**69,980**	64,838
Change in net working capital other than cash	**(644)**	(54)
	69,336	64,784
FINANCING		
Debt retired	**(1,659)**	(1,580)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(1,822)**	(3,313)
Due from General Revenue Fund	**627**	(5,077)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(2,268)**	(2,268)
Utility dividend payment	**(11,473)**	(10,708)
	(16,595)	(22,946)
INVESTING		
Purchase of tangible capital assets	**(52,741)**	(41,838)
Cash, beginning of year	**1**	1
Cash, end of year	**$ 1**	$ 1

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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 sewage 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 transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

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 requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

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 was 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 was 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-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 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. In 2013, $13.7 million (2012 - $15.0 million) was transferred to the Sewer System Rehabilitation Reserve Fund.

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 2013 sewer rate includes a provision of 26 cents (2012 - 26 cents) per cubic meter of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2013, $16.0 million (2012 - $15.8 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 City's sewage collection and treatment system.

3. *Accounts Receivable*

	2013	2012
Sewer billings	**$ 31,305**	$ 28,637
Other	**1,311**	1,425
Provincial grant receivable	**591**	487
	$ 33,207	$ 30,549

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, 2013 effective interest rate was 0.9% (2012 - 0.9%).

5. *Tangible Capital Assets*

	Net Book Value	
	2013	2012
Land	**$ 1,438**	$ 1,438
Buildings	**386**	396
Equipment	**180**	220
Information technology	**106**	129
Underground networks	**589,635**	567,373
Sewage treatment plants and lift stations	**244,567**	247,187
Assets under construction	**31,219**	18,574
	$ 867,531	$ 835,317

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

During 2013 there was no write-down of tangible capital assets . Interim financing charges capitalized during 2012 were $97 thousand (2012 - $97 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled $12.5 million in 2013 (2012 - $15.1 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

	2013	2012
Trade accounts payable	**$ 6,902**	$ 4,845
Accrued debenture interest	**1,264**	2,758
Other accrued liabilities	**262**	301
	$ 8,428	$ 7,904

7. *Long-term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2013**	Amount of Debt 2012
1993-2013	Feb. 11	9.375	VN	6090/93	**$ -**	$ 40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**35,000**	35,000
					35,000	75,000
Equity in Sinking Fund (Note 7b)					**(33,853)**	(69,763)
Net sinking fund debentures outstanding					**1,147**	5,237

Other long-term debt outstanding

	2013	2012
Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 5.015% (2012 - 5.03%)	**451**	2,110
	1,598	7,347
Current portion of long-term debt	**(1,509)**	(3,927)
	$ 89	$ 3,420

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

	2014
Sinking fund debentures	$ 35,000
Serial and installment	451
	$ 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 of Winnipeg Sewage Disposal System is currently paying three percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Cash paid for interest during the year was $4.7 million (2011 - $6.9 million).

8. Accumulated Surplus

	2013	2012
Invested in tangible capital assets	**$ 877,960**	$ 840,474
Retained earnings	**89,713**	88,453
Utility dividend payment	**(11,473)**	(10,708)
	$ 956,200	$ 918,219

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 was 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 sewage and resulting residuals at its existing three major sewage treatment facilities, the South End, West End and North End Sewage Treatment Plants (the "Facilities"). Veolia's role will be to provide services to the City. Representatives of Veolia will work collaboratively with representatives of the City to provide advice and recommendations to the City with respect to the City's (i) management and operation of the Facilities for the handling and treatment of sewage, (ii) assessment, planning and delivery of upgrades and capital modifications 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 in providing services (item number 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, 2013, prepaid expenses include $667 thousand on account of the City's payment of Direct Costs related to the PGS (2012 - $867 thousand).

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 Fee payments became due under the terms of the contract. If, in future periods, any of these Fee amounts 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 sewer rate for 2013 was $2.15 per cubic meter (2012 - $2.10). The Environmental Projects Reserve contribution for 2013 was 26.0 cents per cubic meter (2012 - 26.0 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 2013, realty taxes paid and transferred to the General Revenue Fund were $8.9 million (2012 - $8.9 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, 2013 is $1.2 million (2012 - $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, 2013 is estimated at $917 thousand (2012 - $904 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, 2013 is estimated at $0.5 million (2012 - $0.5 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, 2013 at $1.8 million (2012 - $1.7 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 $1.3 million (2012 - $1.2 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, 2012 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 2013, this amounted to $0.9 million (2012 - $0.9 million) and was transferred to the General Revenue Fund.

Rent

Included in expenses is $1.2 million (2012 - $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 $831 thousand charged (2012 - $36 thousand recoverable) from the Insurance Reserve.

12. Transfers to Other Funds

The Sewage Disposal System, as approved through the annual operating budget, funds 100% of land drainage costs. In 2013, $13.7 million (2012 - $14.2 million) was contributed to the General Revenue Fund to support the land drainage program.

	2013	2012
Transfer to Environmental Projects Reserve	**$ 15,986**	$ 15,780
Transfer to Sewer System Rehabilitation Reserve	**13,700**	15,000
Transfer to General Revenue Fund	**13,694**	14,198
Transfer from General Capital Fund	**-**	(24)
	$ 43,380	$ 44,954

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)

	2013 Budget	2013 Actual	2012 Actual
Sewer services	**$ 143,417**	**$ 138,904**	$ 136,601
Government transfers, permits and other			
Industrial waste surcharges	**2,750**	**3,085**	2,777
Hauled waste	**1,820**	**1,980**	1,793
Provincial transfers	**1,848**	**890**	803
Other	**528**	**600**	670
Permits and fees	**240**	**338**	350
	7,186	**6,893**	6,393
Interest			
Sinking Fund earnings	**1,822**	**1,822**	3,313
Interest	**400**	**681**	708
Capitalized	**200**	**51**	97
	2,422	**2,554**	4,118
Total Revenues	**$ 153,025**	**$ 148,351**	$ 147,112

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2013 Budget	2013 Actual	2012 Actual
Collection, interception and treatment			
North end sewage treatment plant	$ 13,301	$ 13,539	$ 13,085
Local sewer	6,448	6,338	5,766
South end sewage treatment plant	3,803	3,788	4,030
Sludge disposal	3,484	2,859	2,921
Interception system	2,960	2,720	2,204
Administration	2,108	2,364	2,401
Electrical maintenance/instrumentation	2,141	2,305	1,829
Mechanical maintenance	2,412	2,056	2,154
West end sewage treatment plant	2,451	1,944	2,139
Civil maintenance	1,202	1,001	1,059
Process control	640	608	715
	40,950	39,522	38,303
Taxes, employee benefits and other			
Property taxes	8,920	8,891	8,936
Miscellaneous	1,581	1,805	1,845
Rent	1,260	1,243	1,110
General government charges	904	904	919
Employee benefits	482	429	302
Insurance and claims	380	426	554
Provincial payroll tax	363	319	299
Recoveries	(1,100)	(1,238)	(492)
	12,790	12,779	13,473
Engineering services			
Sewer connections	4,130	2,502	1,656
Wastewater planning	1,902	1,441	1,215
Administrative services	452	592	463
Drafting and graphic	570	539	555
Design and construction	711	530	530
Customer technical services	416	367	317
Asset management	230	261	231
Engineering services development	164	151	143
Land drainage and flood planning	50	50	50
	8,625	6,433	5,160
Debt and finance			
Long-term debt interest	3,249	3,244	6,662
Finance charges	5,749	9	6
	8,998	3,253	6,668

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2013 Budget	2013 Actual	2012 Actual
Finance and administration			
Customer accounts	**2,282**	**2,222**	2,098
Financial services	**306**	**331**	260
Administrative services	**630**	**272**	509
Financial planning	**271**	**204**	261
Rates / business analysis	**138**	**137**	103
	3,627	**3,166**	3,231
Environmental standards			
Analysis	**1,476**	**1,312**	1,296
Industrial waste	**680**	**609**	595
Administration	**272**	**254**	227
Compliance	**81**	**92**	93
	2,509	**2,267**	2,211
Information systems and technology			
Major systems	**1,213**	**1,266**	906
Support services	**908**	**656**	634
	2,121	**1,922**	1,540
Customer services			
Customer relations	**1,015**	**816**	896
Administration	**55**	**48**	44
Communications	**12**	**16**	14
Public consultation	**6**	**-**	-
	1,088	**880**	954
Human resources			
Human resources	**162**	**384**	314
Timekeeping and payroll	**71**	**172**	165
Work place health and safety	**58**	**146**	125
Human resources training	**76**	**112**	142
	367	**814**	746
Total Expenses from Operations	**81,075**	**71,036**	72,286

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2013 Budget	**2013 Actual**	2012 Actual
Transfers to other funds (Note 12)			
Transfer to Environmental Projects Reserve	**16,649**	**15,985**	15,780
Transfer to Sewer System Rehabilitation Reserve	**13,700**	**13,700**	15,000
Transfer to General Revenue Fund	**14,293**	**13,694**	14,198
Transfer (from)/to General Capital Fund			(24)
	44,642	**43,379**	44,954
Total Expenses	**$ 125,717**	**$ 114,415**	$ 117,240

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2013 Budget	2013 Actual	2012 Actual
Transfers to other funds	$ 44,642	$ 43,379	$ 44,954
Goods and services	45,545	41,421	40,408
Salaries	16,874	15,073	14,233
Other expenses	11,921	12,772	11,491
Interest on long-term debt	3,249	3,244	6,662
Employee benefits	3,185	3,025	2,951
Finance charges	5,749	9	6
Recoveries	(5,448)	(4,508)	(3,465)
Total Expenses	$ 125,717	$ 114,415	$ 117,240

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2013 Actual	2012 Actual
Revenues		
Transfer from Sewer System Rehabilitation Reserve	**$ 16,811**	$ 13,676
Transfer from Environmental Projects Reserve	**7,991**	2,732
Provincial and Federal capital transfers	**111**	6,600
Transfer from Waterworks System	**14**	282
	24,927	23,290
Developer contributions-in-kind	**12,480**	15,135
	37,407	38,425
Expenses		
Amortization	**20,429**	19,830
Capital maintenance	**1,280**	3,094
Loss on disposal of tangible capital assets	**97**	815
Transfer to Waterworks System	**83**	365
	21,889	24,104
Net surplus from capital	**$ 15,518**	$ 14,321

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	$ 988	$ 400	$ 227
Add: Additions during the year	-	1	-	-
Less: Disposals during the year	-	-	-	-
Balance, end of year	1,438	989	400	227
Accumulated amortization				
Balance, beginning of year	-	593	180	98
Add: Amortization	-	11	40	22
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	-	604	220	120
Net Book Value of Tangible Capital Assets	$ 1,438	$ 385	$ 180	$ 107

Schedule 5

Infrastructure							Totals			
	Underground Networks		Sewage Treatment Plants and Lift Stations		Assets Under Construction		**2013**		2012
$	890,769	$	402,285	$	18,574	**$**	**1,314,681**	$	1,275,362
	34,649		5,446		12,645		**52,741**		41,838
	(470)		-		-		**(470)**		(2,519)
	924,948		407,731		31,219		**1,366,952**		1,314,681
	323,396		155,098				**479,365**		461,238
	12,290		8,066				**20,429**		19,830
	(373)		-				**(373)**		(1,704)
	335,313		163,164		-		**499,421**		479,364
$	589,635	$	244,567	$	31,219	**$**	**867,531**	$	835,317

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

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 Waste Diversion and to the Brady Landfill Rehabilitation Reserves.

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 $43.50 per tonne. Commercial tonnage coming to Brady Road landfill has decreased approximately 3.5% from 2012, as the city has received less dead stock. The amount of commercial waste at Brady Road is estimated to be received from Falcon Lake and Hecla Island Provincial Parks and the Rural Municipality of Springfield and MacDonald.

Waste minimization programs include multi-material residential recycling for 190,000 single-family and 105,000 multi-family residences, depot recycling, "Let's Chip-In" (Christmas tree recycling), curbside yard waste collection, back yard composting and public information/education programs.

The revenues from the recycling programs are comprised of support payments received from the Multi Material Stewardship Manitoba and the sale of recyclables. In 2013, the City realized $8.2 million in revenue (2012 - $8.1 million) from recycling.

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 set at $10 per tonne on residential, commercial and small loads. The total levy collected throughout the province is granted to municipalities based on their share of total recycling throughout the province.

In 2011, City Council approved the Comprehensive Integrated Waste Management Strategy with the objective of achieving a greater than 50% diversion rate through implementation of various short and long-term initiatives commencing in 2012. Enhancements which included the completion of the City-wide roll out of the automated cart system for garbage collection, the move from a five day collection schedule to a weekly collection calendar and curbside yard waste collection, became effective October 1, 2012.

The impact in the first full year of the implementation of the new strategy saw single family residential waste tonnage reduced by 21%, recycling tonnage increase by 11% and compostable yard waste tonnage increase by 105%.

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

FIVE-YEAR REVIEW

December 31
(unaudited)

	2013	2012	2011	2010	2009
Solid Waste (tonnes)					
Single family residential	**120,287**	153,128	163,923	176,215	185,587
Multi-family and small commercial	**53,610**	48,606	46,292	46,571	45,330
Large commercial / industrial	**101,584**	105,334	87,520	84,515	95,359
Other (1)	**117,990**	119,170	146,678	101,775	99,172
Charitable organization	**2,663**	3,050	2,351	2,067	1,907
Total landfill tonnage	**396,134**	429,288	446,764	411,143	427,355
Residential small loads					
Number of loads	**93,506**	93,585	96,661	112,073	104,726
Compostable Yard Waste					
Total tonnage	**23,223**	11,327	7,778	7,157	5,673
Recyclables (tonnes)					
Blue cart	**48,410**	38,992	35,596	36,434	34,841
Depots/apartments	**5,247**	9,141	10,235	10,494	9,534
Total recyclables	**53,657**	48,133	45,831	46,928	44,375

(1) Includes tonnage for small load on an estimated weight of 500kg per load entering the landfill.

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

STATEMENT OF FINANCIAL POSITION

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

	2013	2012
ASSETS		
Current		
Cash	**$ 181**	$ 175
Due from General Revenue Fund (Note 3)	**2,168**	6,403
Accounts receivable (Note 4)	**7,147**	8,413
	9,496	14,991
Tangible capital assets (Note 5)	**24,137**	16,892
	$ 33,633	$ 31,883
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 6,874**	$ 5,247
Current portion of long-term debt (Note 7)	**1,367**	1,332
	8,241	6,579
Long-term debt (Note 7)	**10,284**	11,693
	18,525	18,272
ACCUMULATED SURPLUS (Note 8)	**15,108**	13,611
	$ 33,633	$ 31,883

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2013 Budget	2013 Actual	2012 Actual
REVENUES (Schedule 1)			
Sales of services and regulatory fees	**$ 31,003**	**$ 27,676**	$ 20,949
Government transfers and other	**4,564**	**4,707**	5,023
Interest	**86**	**300**	127
Total revenues	**35,653**	**32,683**	26,099
EXPENSES (Schedules 2 and 3)			
Solid waste operations	**29,858**	**28,391**	21,001
Debt and finance	**2,159**	**415**	136
Employee benefits, taxes and other (Note 9)	**283**	**210**	240
Total expenses from operations	**32,300**	**29,016**	21,377
Surplus for the year from operations	**3,353**	**3,667**	4,722
Transfers to other funds (Note 10)	**2,998**	**1,798**	1,010
Surplus from operations after transfers to other funds	**355**	**1,869**	3,712
Net surplus (deficit) from capital (Schedule 4)	**-**	**(372)**	482
Net surplus for the year	**$ 355**	**1,497**	4,194
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**13,611**	9,417
ACCUMULATED SURPLUS, END OF YEAR		**$ 15,108**	$ 13,611

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

STATEMENT OF CASH FLOWS

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

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 1,497**	$ 4,194
Non-cash items related to operations		
Amortization	**1,329**	618
Working capital from operations	**2,826**	4,812
Change in net working capital other than cash	**2,893**	2,225
	5,719	7,037
FINANCING		
Proceeds from loan	**-**	13,000
Repayment of loan	**(1,302)**	(169)
Due from/to General Revenue Fund	**4,235**	(7,189)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(41)**	(38)
Payments to The Sinking Fund Trustees for outstanding debt	**(31)**	(30)
	2,861	5,574
INVESTING		
Purchase of tangible capital assets	**(8,574)**	(12,560)
Increase in cash	**6**	51
Cash position, beginning of year	**175**	124
Cash position, end of year	**$ 181**	$ 175

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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 Rehabilitation Reserve

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

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

c) Waste Diversion Reserve

On October 19, 2011, City Council approved the establishment of the Waste Diversion Reserve Fund for the purpose of funding waste diversion programs and projects. The reserve is to be funded by surplus monies collected through the waste diversion services user fee. The first transfer to the reserve occurred in 2013.

The Director of Water and Waste is the Fund Manager.

1. *Significant Accounting Policies (continued)*

d) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

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 requirements, and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City may give rise to an obligation on the City's behalf in which case a liability will be recognized in the consolidated financial statements.

2. *Status of the Solid Waste Disposal Fund*

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

3. *Due from/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. 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, 2013 effective interest rate was 0.9% (2012 - 0.9%).

4. *Accounts Receivable*

	2013	2012
Landfill tipping, recycling and waste diversion	**$ 7,353**	$ 8,606
Allowance for doubtful accounts	**(206)**	(193)
	$ 7,147	$ 8,413

5. *Tangible Capital Assets*

	Net Book Value	
	2013	2012
Land	**$ 541**	$ 541
Land improvements	**10,273**	682
Machinery and equipment	**10,502**	11,457
Information technology	**43**	53
	21,359	12,733
Assets under construction	**2,778**	4,159
	$ 24,137	$ 16,892

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 (2012 - $nil). Interim financing charges capitalized during 2013 were $166 thousand (2012 - $68 thousand).

6. Accounts Payable and Accrued Liabilities

	2013	2012
Trade accounts payable	**$ 4,752**	$ 2,894
Waste Reduction and Recycling Support Levy	**2,052**	2,110
Other accrued liabilities	**58**	231
Accrued debenture interest payable	**12**	12
	$ 6,874	$ 5,247

7. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2013**	2012
1995-2015	May 12	9.125	VR	6620/95	**$ 1,000**	$ 1,000
Equity in Sinking Fund (Note 7b)					**(878)**	(806)
Net sinking fund debentures outstanding					**122**	194

Other debt outstanding

	2013	2012
TD Commercial Bank loan with a maturity date of November 13, 2021 and an interest rate of 2.63%	**11,529**	12,831
	11,651	13,025
Current portion of debentures	**(30)**	(30)
Current portion of loan	**(1,337)**	(1,302)
	(1,367)	(1,332)
	$ 10,284	$ 11,693

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

	2014	2015	2016	2017	2018	2019 and Thereafter
Sinking fund debentures	$ -	$ 1,000	$ -	$ -	$ -	$ -
Other debt	1,337	1,372	1,408	1,446	1,485	4,481
	$ 1,337	$ 2,372	$ 1,408	$ 1,446	$ 1,485	$ 4,481

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 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 of Winnipeg Solid Waste Disposal is currently paying three percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Cash paid for interest during the year was $0.4 million (2012 - $0.1 million).

8. *Accumulated Surplus*

	2013	2012
Invested in tangible capital assets	**$ 8,465**	$ 5,577
Retained earnings	**6,643**	8,034
	$ 15,108	$ 13,611

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, 2013 is $0.19 million (2012 - $0.18 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, 2013 is estimated at $96 thousand (2012 - $189 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, 2013 at $287 thousand (2012 - $231 thousand).

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, 2013 at $48 thousand (2012 - $51 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 2013, $220 thousand (2012 - $175 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, 2012 and has an actuarial surplus.

9. Employee Benefits, Taxes and Other (continued)

General Government charges

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2013 this amounted to $135 thousand (2012 - $134 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 2013, the amount incurred was $15 thousand (2012 - $16 thousand).

Insurance and damage claims

The Solid Waste Disposal Fund was charged $15 thousand (2012 - $20 thousand) by the Insurance Reserve Fund.

10. Transfers to Other Funds

	2013	2012
Transfer to Waste Diversion Reserve	**$ 1,625**	$ -
Transfer to Brady Landfill Rehabilitation Reserve	**173**	200
Transfer to General Revenue Fund	**-**	810
	$ 1,798	$ 1,010

Included in various expense categories is an amount of $203 thousand (2012 - $120 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

Schedule 1

REVENUES

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

	2013 Budget	2013 Actual	2012 Actual
Sales of services and regulatory fees			
Waste diversion user fee	**$ 9,421**	**$ 9,719**	$ 2,355
Landfill tipping fees	**8,863**	**9,193**	9,956
Recycling	**12,119**	**8,168**	8,110
Small load fees	**600**	**596**	528
	31,003	**27,676**	20,949
Government transfers and other			
Waste reduction support	**4,500**	**4,636**	4,970
Provincial support	**64**	**71**	53
	4,564	**4,707**	5,023
Interest			
Interest capitalized	**15**	**166**	68
Late payment charges	**20**	**56**	22
Sinking Fund earnings	**41**	**41**	38
Interest	**10**	**37**	(1)
	86	**300**	127
Total Revenues	**$ 35,653**	**$ 32,683**	$ 26,099

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 2

EXPENSES

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

	2013 Budget	2013 Actual	2012 Actual
Solid waste operations			
Recycling	$ 15,989	$ 15,405	$ 11,296
Brady Road Resource Management Facility	8,335	8,105	6,965
Waste minimization	3,716	2,958	1,149
Landfill and environmental	1,456	1,351	1,151
Take Pride Winnipeg	169	228	240
Administration	193	344	200
	29,858	28,391	21,001
Employee benefits, taxes and other			
General government charges	135	135	134
Provincial payroll tax	93	72	71
Employee benefits	116	64	89
Insurance and damage claims	29	29	35
Property taxes	15	15	16
Departmental recoveries	(105)	(105)	(105)
	283	210	240
Debt and finance			
Interest on long-term debt	639	415	136
Amortization	1,520	-	-
	2,159	415	136
Total Expenses from Operations	32,300	29,016	21,377
Transfers to other funds (Note 10)			
Transfer to Waste Diversion Reserve	2,820	1,625	-
Transfer to Brady Landfill Rehabilitation Reserve	178	173	200
Transfer to General Revenue Fund	-	-	810
	2,998	1,798	1,010
Total Expenses	$ 35,298	$ 30,814	$ 22,387

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 3

EXPENSES BY OBJECT

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

	2013 Budget	**2013 Actual**	2012 Actual
Goods and services	**$ 25,846**	**$ 24,822**	$ 17,819
Salaries	**3,312**	**2,820**	2,550
Transfers	**2,998**	**1,798**	1,010
Other expenses	**1,991**	**638**	482
Employee benefits	**705**	**530**	542
Interest on long-term debt	**634**	**415**	136
Finance charges	**68**	**56**	56
Recoveries	**(256)**	**(265)**	(208)
Total Expenses	**$ 35,298**	**$ 30,814**	$ 22,387

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 4

SURPLUS (DEFICIT) FROM CAPITAL

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

	2013 Actual	2012 Actual
Revenues		
Provincial capital transfers	**$ 840**	$ 1,710
Transfer from Waste Diversion Reserve Fund	**673**	-
Total revenues from capital	**1,513**	1,710
Expenses		
Amortization	**1,328**	618
Capital **-** capital studies and other equipment	**317**	324
Capital maintenance	**240**	286
Total expenses from capital	**1,885**	1,228
Net surplus (deficit) from capital	**$ (372)**	$ 482

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

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	$ 3,832	$ 273	$ 13,468
Add: Additions (completions) during the year	-	9,863	-	92
Balance, end of year	541	13,695	273	13,560
Accumulated amortization				
Balance, beginning of year	-	3,150	273	2,011
Add: Amortization	-	272	-	1,047
Balance, end of year	-	3,422	273	3,058
Net Book Value of Tangible Capital Assets	$ 541	$ 10,273	$ -	$ 10,502

Schedule 5

Information Technology	Assets Under Construction	Totals 2013	Totals 2012
$ 93	$ 4,159	**$ 22,366**	$ 9,806
-	(1,381)	**8,574**	12,560
93	2,778	**30,940**	22,366
40	-	**5,474**	4,856
10	-	**1,329**	618
50	-	**6,803**	5,474
$ 43	$ 2,778	**$ 24,137**	$ 16,892

PHOTO: Wang Shixiong

2 0 1 3 S P E C I A L O P E R A T I N G A G E N C I E S

D E T A I L E D F I N A N C I A L S T A T E M E N T S

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2013	2012
FINANCIAL ASSETS		
Cash	**$ 4,428**	$ 13,640
Accounts receivable (Note 3)	**52,080**	69,055
Due from the City of Winnipeg - General Revenue Fund (Note 4)	**734,137**	226,152
	790,645	308,847
LIABILITIES		
Accounts payable and accrued liabilities	**82,926**	98,070
Deferred revenue	**1,013,730**	1,145,478
Vacation and overtime payable	**90,313**	94,377
Retirement allowances and compensated absences (Note 5a)	**94,000**	81,000
	1,280,969	1,418,925
NET FINANCIAL LIABILITIES	**(490,324)**	(1,110,078)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**50,527**	46,229
Inventories	**4,070**	9,779
Prepaid expenses	**39,577**	39,115
	94,174	95,123
ACCUMULATED DEFICIT	**$ (396,150)**	$ (1,014,955)

Commitments (Note 8)

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 2013 (unaudited)	**Actual 2013**	Actual 2012
REVENUES			
Regulation fees	**$ 1,763,265**	**$ 1,903,130**	$ 1,896,231
Transfer (Note 9)	**1,404,276**	**1,404,276**	1,302,504
Sales of goods and services	**123,100**	**82,078**	110,900
Other revenue	**13,000**	**42,958**	35,161
Government transfers	**25,075**	**25,373**	25,218
Total Revenues	**3,328,716**	**3,457,815**	3,370,014
EXPENSES			
Salaries and employee benefits	**1,592,931**	**1,425,429**	1,441,480
Grants, transfers and other	**532,165**	**518,175**	506,285
Services (Note 10)	**386,765**	**372,869**	388,452
Rent (Note 10)	**211,564**	**211,564**	211,439
Administrative expenses (Note 10)	**158,546**	**150,326**	159,730
Materials, parts and supplies	**140,920**	**104,194**	129,276
Debt and finance charges	**42,000**	**25,167**	26,143
Amortization	**24,707**	**19,186**	22,711
Assets and purchases	**3,155**	**12,100**	5,164
Interest (Note 4)	**170**	**-**	12
Recoveries		**-**	(26,453)
Total Expenses	**3,092,923**	**2,839,010**	2,864,239
Excess of Revenues Over Expenses	**235,793**	**618,805**	505,775
ACCUMULATED DEFICIT, BEGINNING OF YEAR	**(1,014,955)**	**(1,014,955)**	(1,520,730)
ACCUMULATED DEFICIT, END OF YEAR (Note 7)	**$ (779,162)**	**$ (396,150)**	$ (1,014,955)

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:

	2013	2012
OPERATING		
Excess of revenues over expenses	**$ 618,805**	$ 505,775
Non-cash charges to operations		
Amortization	**19,186**	22,711
Retirement allowances and compensated absences	**13,000**	16,000
	650,991	544,486
Net change in non-cash working capital balances related to operations	**(128,733)**	(95,367)
Cash provided by operating activities	**522,258**	449,119
CAPITAL		
Acquisition of tangible capital assets	**(23,485)**	(20,392)
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**(507,985)**	(438,812)
(Decrease) increase in cash	**(9,212)**	(10,085)
CASH, BEGINNING OF YEAR	**13,640**	23,725
CASH, END OF YEAR	**$ 4,428**	$ 13,640

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 2013 (unaudited)	Actual 2013	Actual 2012
Excess of Revenues Over Expenses	**$ 235,793**	**$ 618,805**	$ 505,775
Amortization of tangible capital assets	**24,707**	**19,186**	22,711
Change in inventories and prepaid expenses	**-**	**5,248**	23,555
Acquisition of tangible capital assets	**(42,000)**	**(23,485)**	(20,392)
DECREASE IN NET FINANCIAL LIABILITIES	**218,500**	**619,754**	531,649
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(1,110,078)**	**(1,110,078)**	(1,641,727)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (891,578)**	**$ (490,324)**	$ (1,110,078)

See accompanying notes and schedule to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

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 public sector accounting standards. 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 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*

	2013	2012
Trade accounts receivable	**$ 30,338**	$ 47,313
Allowance for doubtful accounts	**(3,476)**	(3,476)
	26,862	43,837
Province of Manitoba	**25,218**	25,218
	$ 52,080	$ 69,055

4. *Due from The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due from/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, 2013 interest rate was 0.9% (2012 - 1.05%). The 2013 budget approved by City Council includes an operating line of credit of $1,100,000.

During the year, the Agency paid $nil (2012 - $12) in interest costs.

5. *Employee Benefits*

a) Retirement allowances and compensated absences

	2013	2012
Retirement allowances - accrued benefit liability	**$ 64,000**	$ 51,000
Compensated absences	**30,000**	30,000
	$ 94,000	$ 81,000

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 13.5 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 of the liability was calculated as of July 31, 2011. The results of this valuation were extrapolated to the financial reporting date of December 31, 2013.

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:

	2013		2012	
	Retirement allowances	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	**$ 80,000**	**$ 27,000**	$ 84,000	$ 25,000
Current service cost	**5,000**	**2,000**	5,000	2,000
Interest cost	**3,000**	**1,000**	3,000	1,000
Benefit payments		**(1,000)**	-	(1,000)
Net actuarial (gain)/loss	**(14,000)**	**1,000**	(12,000)	-
Balance, end of year	**74,000**	**30,000**	80,000	27,000
Unamortized net actuarial (gain)/loss	**(10,000)**	**-**	(29,000)	3,000
Accrued benefit liability	**$ 64,000**	**$ 30,000**	$ 51,000	$ 30,000
Benefit expenses:				
Current service cost	**$ 5,000**	**$ 2,000**	$ 5,000	$ 2,000
Interest cost	**3,000**	**1,000**	3,000	1,000
Amortization of net actuarial (gain)/loss	**5,000**	**(2,000)**	6,000	-
	$ 13,000	**$ 1,000**	$ 14,000	$ 3,000
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 51,000**	**$ 30,000**	$ 37,000	$ 28,000
Benefit expense	**13,000**	**1,000**	14,000	3,000
Benefit payments	**-**	**(1,000)**	-	(1,000)
Balance, end of year	**$ 64,000**	**$ 30,000**	$ 51,000	$ 30,000

5. *Employee Benefits (continued)*

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

	2013	2012
Valuation interest rate	**3.70%**	3.60%
General increases in pay	**3.50%**	3.50%
Expected average remaining service life	**13.5 years**	13.3 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, $107,124 (2012 - $100,092) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and it has an actuarial surplus.

6. *Tangible Capital Assets*

	Net Book Value	
	2013	2012
Computer equipment	**$ 6,794**	$ 7,530
Furniture and other equipment	**27,866**	36,699
Communication radios	**15,867**	2,000
	$ 50,527	$ 46,229

For additional information, see Schedule of Tangible Capital Assets.

7. *Accumulated Deficit*

	2013	2012
Accumulated Deficit	**$ (1,014,955)**	$ (1,520,730)
Excess of Revenues Over Expenses	**618,805**	505,775
	$ (396,150)	$ (1,014,955)

8. *Commitments*

The Agency and the Winnipeg Humane Society entered into a contract that was effective January 1, 2011 to December 31, 2013. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agreed to pay the Winnipeg Humane Society the sum of $425,000 per year, payable in quarterly instalments of $106,250. In addition, the Agency agreed to pay $20 for every cat spay/neuter that the Winnipeg Humane Society performed up to an annual maximum of $75,000. Funds for 2014 through 2016 have been budgeted on a status quo basis.

9. Transfer from The City of Winnipeg

In 2013 the transfer from The City of Winnipeg was increased by $101,772 to $1,404,276 for the purpose of reducing the Agency's deficit. It is planned that the additional funding will be provided each year for 10 years, at which point the deficit will be eliminated.

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

2009	1,104,276
2010	1,154,276
2011	1,334,276
2012	1,302,504
2013	1,404,276

10. 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 $211,564 (2012 - $211,439) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $80,396 (2012 - $80,396). Also included are lease costs of $87,696 (2012 - $66,139) to The City of Winnipeg Fleet Management - Special Operating Agency and $69,930 (2012 - $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 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31

	Computer Equipment	Furniture and Other Equipment	Communication Radios	2013 Total	2012 Total
Cost					
Balance, Beginning of year	**$ 141,377**	**$ 119,220**	**$ 37,503**	**$ 298,100**	$ 277,709
Add:					
Additions during the year	**8,077**	**-**	**15,408**	**23,485**	20,392
Less:					
Disposals during the year	**-**	**-**	**-**	**-**	-
Balance, end of year	**149,454**	**119,220**	**52,911**	**321,585**	298,101
Accumulated amortization					
Balance, Beginning of year	**133,847**	**82,522**	**35,503**	**251,872**	229,161
Add:					
Amortization	**8,813**	**8,832**	**1,541**	**19,186**	22,711
Less:					
Accumulated amortization on disposals	**-**	**-**	**-**	**-**	-
Balance, end of year	**142,660**	**91,354**	**37,044**	**271,058**	251,872
Net Book Value of Tangible Capital Assets	**$ 6,794**	**$ 27,866**	**$ 15,867**	**$ 50,527**	$ 46,229

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2013	2012
FINANCIAL ASSETS		
Accounts receivable	**$ 255**	$ 274
Inventories	**23**	31
	278	305
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**7,585**	6,408
Accounts payable and accrued liabilities	**55**	295
Deferred revenue	**55**	41
Debt (Note 4)	**3,807**	3,933
Environmental liability	**-**	100
Accrued employee benefits (Note 5a)	**151**	161
	11,653	10,938
NET FINANCIAL LIABILITIES	**(11,375)**	(10,633)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**22,659**	22,840
	22,659	22,840
ACCUMULATED SURPLUS (Note 7)	**$ 11,284**	$ 12,207

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 2013 (Unaudited)	Actual 2013	Actual 2012
REVENUES			
Green fees	**$ 1,704**	**$ 1,631**	$ 1,689
Equipment rentals	**352**	**335**	337
Net revenue from leasing operations	**260**	**262**	263
Other	**32**	**50**	32
Concessions	**56**	**49**	61
Merchandise sales	**63**	**41**	78
Total Revenues	**2,467**	**2,368**	2,460
EXPENSES			
Salaries and employee benefits (Note 5)	**1,456**	**1,218**	1,449
Services (Note 8)	**666**	**880**	935
Debt, finance charges and interest (Notes 3 and 4)	**342**	**322**	319
Municipal tax equivalency charge (Note 9)	**318**	**314**	310
Amortization	**238**	**227**	248
Material, parts and supplies	**241**	**220**	219
Loss on disposal of tangible capital assets	**-**	**-**	145
Rent (Note 8b)	**17**	**-**	17
Total Expenses	**3,278**	**3,181**	3,642
Deficiency of Revenues Over Expenses	**(811)**	**(813)**	(1,182)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**12,207**	**12,207**	13,470
Transfer to The City of Winnipeg - Golf Course Reserve Fund	**-**	**(67)**	-
Transfer to The City of Winnipeg - General Revenue Fund	**(42)**	**(43)**	(81)
ACCUMULATED SURPLUS, END OF YEAR	**$ 11,354**	**$ 11,284**	$ 12,207

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)

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Deficiency of revenues over expenses	**$ (813)**	$ (1,182)
Non-cash charges to operations		
Amortization	**227**	248
Loss (gain) on disposal of tangible capital assets	**-**	145
Retirement allowance and compensated absences	**12**	12
Environmental liability	**(100)**	90
	(674)	(687)
Net change in non-cash working capital balances related to operations	**(221)**	222
Cash used in operating activities	**(895)**	(465)
CAPITAL		
Acquisition of tangible capital assets	**(46)**	(80)
Proceeds on disposal of tangible capital assets	**-**	15
Cash used in capital activities	**(46)**	(65)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**1,177**	708
Debt - The City of Winnipeg	**(126)**	(97)
Transfer to The City of Winnipeg - Golf Course Reserve Fund	**(67)**	-
Transfer to The City of Winnipeg - General Revenue Fund	**(43)**	(81)
Cash provided by financing activities	**941**	530
INCREASE (DECREASE) IN CASH	**-**	-
CASH, BEGINNING OF YEAR	**-**	-
CASH, END OF YEAR	**$ -**	$ -

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 2013 (Unaudited)	Actual 2013	Actual 2012
DEFICIENCY OF REVENUES OVER EXPENSES	**$ (811)**	**$ (813)**	$ (1,182)
Amortization of tangible capital assets	**238**	**227**	248
Proceeds on disposal of tangible capital assets	**-**	-	15
Loss (gain) on disposal of tangible capital assets	-	-	145
Change in prepaid expenses	-	-	5
Transfer to the City of Winnipeg - General Revenue Fund	**(42)**	**(43)**	(81)
Transfer to the City of Winnipeg - Golf Course Reserve Fund		**(67)**	-
Acquisition of tangible capital assets	**(113)**	**(46)**	(80)
INCREASE IN NET FINANCIAL LIABILITIES	**(728)**	**(742)**	(930)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(10,633)**	**(10,633)**	(9,703)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (11,361)**	**$ (11,375)**	$ (10,633)

See accompanying notes and schedule to the financial statements

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 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 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 $29 thousand (2012 - $59 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 $7.5 million (2012 - $6.5 million) at a varying overnight rate that is a function of the Bank of Canada rate.
As of December 31, 2013, the rate was 0.9% (2012 - 0.9%).
The interest paid in 2013 was $70 thousand (2012 - $61 thousand).

4. *Debt - The City of Winnipeg*

	2013	2012
Golf Course Reserve		
Golf course improvement loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	**$ -**	$ 9
- 2005	10	19
- 2006	29	42
- 2007	89	115
- 2008	143	175
- 2009	7	9
- 2010	183	208
- 2011	38	42
- 2012	198	217
- 2013	42	45
- 2014	60	60
- 2015	45	-
	844	941
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of $208 thousand, including interest and principal	2,963	2,992
	$ 3,807	$ 3,933

On December 11, 2013, Council adopted the recommendations that, effective January 1, 2014, the golf course improvement loans totaling $844 thousand be forgiven and the start-up loan owed to the General Revenue Fund be changed from interest at 6% to a non-interest bearing loan.

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

2014	$ 31
2015	32
2016	34
2017	36
2018	39
Thereafter	2,791
	$ 2,963

b) Interest on the golf course improvement loans during the year was $58 thousand (2012 - $63 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was $179 thousand (2012 - $181 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was $237 thousand (2012 - $244 thousand).

5. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	2013	2012
Retirement allowance - accrued benefit liability	**$ 117**	$ 107
Vacation	**30**	52
Compensated absences	**4**	2
	$ 151	$ 161

5. Accrued Employee Benefits (continued)

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 12.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2012. The results of this valuation were extrapolated to the financial reporting date of December 31, 2013 using year-end assumptions.

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:

	2013		2012	
	Retirement allowance	Compensated absences	Retirement allowance	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	**$ 98**	**$ 37**	$ 101	$ 39
Current service cost	**7**	**3**	7	3
Interest cost	**4**	**1**	4	1
Benefit payments		**(5)**	-	(6)
Net actuarial (gain)/loss	**(5)**	**4**	(14)	-
Balance, end of year	**104**	**40**	98	37
Unamortized net actuarial gain/(loss)	**13**	**(36)**	9	(35)
Accrued benefit liability end of year	**$ 117**	**$ 4**	$ 107	$ 2
Benefit expense:				
Current service cost	**$ 7**	**$ -**	$ 7	$ 3
Interest cost	**4**	**-**	4	1
Amortization of net actuarial gain/(loss)	**(1)**	**-**	-	3
	$ 10	**$ -**	$ 11	$ 7
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 107**	**$ 2**	$ 96	$ 1
Benefit expense	**10**	**7**	11	7
Benefit payments	**-**	**(5)**	-	(6)
	$ 117	**$ 4**	$ 107	$ 2

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

	2013	2012
Valuation interest rate	**3.70%**	3.60%
General increases in pay	**3.50%**	3.50%

5. Accrued Employee Benefits (continued)

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, $70 thousand (2012 - $71 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, 2011 and it has an actuarial surplus.

6. Tangible Capital Assets

	Net Book Value	
	2013	2012
Land	**$ 20,376**	$ 20,376
Building	**1,186**	1,278
Equipment	**324**	404
Golf course improvements	**773**	782
	$ 22,659	$ 22,840

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

7. Accumulated Surplus

	2013	2012
Contributed surplus	**$ 20,574**	$ 20,574
Deficit	**(9,290)**	(8,367)
	$ 11,284	$ 12,207

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 $16 thousand (2012 - $16 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) No amount (2012 - $17 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space;

c) An amount of $57 thousand (2012- $54 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 $189 thousand (2012 - $112 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 $234 thousand (2012 - $57 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance and rental on vehicles and equipment owned/leased by the Agency

f) An amount of $6 thousand (2012 - $15 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 $23 thousand (2012- $27 thousand).

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Building	Equipment	Golf Course Improvements	Total 2013	Total 2012
Cost						
Balance, beginning of year	$ 20,376	$ 2,277	$ 1,580	$ 1,048	$ 25,281	$ 25,473
Add:						
Additions during the year	-	-	2	44	46	80
Less:						
Disposals during the year	-		-	-	-	(272)
Balance, end of year	20,376	2,277	1,582	1,092	25,327	25,281
Accumulated amortization						
Balance, beginning of year	-	999	1,176	266	2,441	2,305
Add:						
Amortization	-	92	82	53	227	248
Less:						
Accumulated amortization on disposals	-	-	-	-	-	(112)
Balance, end of year	-	1,091	1,258	319	2,668	2,441
Net Book Value of Tangible Capital Assets	$ 20,376	$ 1,186	$ 324	$ 773	$ 22,659	$ 22,840


PHOTO: Ronald Macalino

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2013	2012
FINANCIAL ASSETS		
Accounts receivable	**$ 83**	$ 120
Due from The City of Winnipeg - General Revenue Fund (Note 3)	**-**	1,194
	83	1,314
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**9,738**	-
Accounts payable and accrued liabilities	**1,350**	1,371
Debt (Note 4)	**37,032**	47,251
Accrued employee benefits (Note 5a)	**1,499**	1,401
	49,619	50,023
NET FINANCIAL LIABILITIES	**(49,536)**	(48,709)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**69,649**	70,165
Inventories	**1,706**	1,696
Prepaid expenses	**511**	535
	71,866	72,396
ACCUMULATED SURPLUS	**$ 22,330**	$ 23,687

Commitments (Note 7)

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 2013 (Unaudited)	**Actual 2013**	Actual 2012
REVENUES			
Fleet leases	**$ 28,403**	**$ 26,030**	$ 25,316
Fuel sales	**9,150**	**9,158**	8,789
Services and parts revenue (Schedule 1)	**7,389**	**7,791**	7,459
Rental income	**2,641**	**3,294**	2,511
Gain on sale of tangible capital assets	**100**	**129**	432
Total Revenues	**47,683**	**46,402**	44,507
EXPENSES			
Amortization	**14,634**	**13,566**	13,192
Supplies	**11,216**	**11,769**	10,860
Salaries and employee benefits	**9,747**	**8,851**	8,432
Services	**6,865**	**8,003**	6,558
Interest (Notes 3 and 4)	**2,046**	**1,647**	1,968
Other expenses	**982**	**1,173**	504
Total Expenses	**45,490**	**45,009**	41,514
Annual Surplus Before Other	**2,193**	**1,393**	2,993
OTHER			
Transfer to The City of Winnipeg - General Revenue Fund (Note 9f)	**-**	**2,750**	-
Annual (Deficit) Surplus	**$ 2,193**	**(1,357)**	2,993
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**23,687**	20,694
ACCUMULATED SURPLUS, END OF YEAR		**$ 22,330**	$ 23,687

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)

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual (Deficit) Surplus	**$ (1,357)**	$ 2,993
Non-cash charges to operations		
Amortization	**13,566**	13,192
Gain on sale of tangible capital assets	**(129)**	(432)
Write down of environmental liability	**-**	(30)
Write down of other liabilities	**-**	(2)
Accretion expense	**-**	2
	12,080	15,723
Net change in non-cash working capital balances related to operations	**128**	540
Cash provided by operating activities	**12,208**	16,263
CAPITAL		
Acquisition of tangible capital assets	**(13,989)**	(6,577)
Proceeds on disposal of tangible capital assets	**1,068**	708
Cash used in capital activities	**(12,921)**	(5,869)
FINANCING		
Change in due to/from The City of Winnipeg - General Revenue Fund	**10,932**	(8,815)
Proceeds from term loans	**-**	9,000
Repayment of term loans	**(10,219)**	(10,405)
Repayment of debt - The City of Winnipeg	**-**	(174)
Cash provided by financing activities	**713**	(10,394)
CASH, BEGINNING OF YEAR		
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 2013 (Unaudited)	Actual 2013	Actual 2012
ANNUAL (DEFICIT) SURPLUS	**$ 2,193**	**$ (1,357)**	$ 2,993
Amortization of tangible capital assets	**14,634**	**13,566**	13,192
Proceeds on disposal of tangible capital assets	**100**	**1,068**	708
Change in inventories and prepaid expenses	**588**	**14**	246
Gain on sale of tangible capital assets	**(100)**	**(129)**	(432)
Acquisition of tangible capital assets	**(22,472)**	**(13,989)**	(6,577)
(INCREASE) DECREASE IN NET FINANCIAL LIABILITIES	**(5,057)**	**(827)**	10,130
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(56,364)**	**(48,709)**	(58,839)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (61,421)**	**$ (49,536)**	$ (48,709)

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*

These 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 annual (deficit) surplus, 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 not the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue or expense 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/from The City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to/from" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2013 effective interest rate was 0.9% (2012 - 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 $18 thousand (2012 - $22 thousand). Interest received from The City of Winnipeg - General Revenue Fund was $2 thousand (2012 - $12 thousand).

4. Debt

Lender	Maturity Date	Interest Rate	2013	2012
Royal Bank of Canada (Note 4b)	2014 - 2019	4.53% - 5.20%	**$ 11,365**	$ 14,438
The Toronto-Dominion Bank (Note 4b)	2014 - 2021	2.17% - 4.14%	**25,489**	32,635
			36,854	47,073
The City of Winnipeg - non-interest bearing, no repayment schedule (Note 9e)			**178**	178
			$ 37,032	$ 47,251

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

2014	$ 9,600
2015	8,513
2016	6,569
2017	5,311
2018	4,324
Thereafter	2,537
	$ 36,854

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, 2013, $36,854 thousand (2012 - $47,073 thousand) was outstanding under these facilities. The effective interest rate at December 31, 2013 was 3.9% (2012 - 4.1%).

c) Cash paid for interest during the year is $1,650 thousand (2012 - $1,956 thousand).

5. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2013	2012
Vacation	**$ 641**	$ 658
Retirement allowance - accrued liability	**725**	623
Compensated absences	**133**	120
	$ 1,499	$ 1,401

Under the retirement allowance program, 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. The results of this valuation were extrapolated to December 31, 2013.

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

5. *Accrued Employee Benefits (continued)*

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

	2013		2012	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 840**	**$ 217**	$ 864	$ 216
Current service cost	**53**	**16**	51	15
Interest cost	**32**	**8**	31	8
Benefit payments	**(3)**	**(20)**	(146)	(22)
Amortization of net actuarial loss	**(27)**	**(7)**	40	-
Balance, end of year	**895**	**214**	840	217
Unamortized net actuarial loss	**(170)**	**(81)**	(217)	(97)
Accrued benefit liability	**$ 725**	**$ 133**	$ 623	$ 120
Benefit expense consists of the following:				
Current service cost	**$ 53**	**$ 16**	$ 51	$ 15
Interest cost	**32**	**8**	31	8
Amortization of net actuarial loss	**20**	**9**	17	8
	$ 105	**$ 33**	$ 99	$ 31
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 623**	**$ 120**	$ 670	$ 111
Benefits expense	**105**	**33**	99	31
Benefits payments	**(3)**	**(20)**	(146)	(22)
Balance, end of year	**$ 725**	**$ 133**	$ 623	$ 120

The significant actuarial assumptions adopted in measuring the retirement allowance and compensated absences obligations for the year ended December 31 are as follows:

	2013	2012
Valuation interest rate	**3.7%**	3.6%
General increases in pay	**3.5%**	3.5%

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, $671 thousand (2012 - $619 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, 2012 and it has an actuarial surplus.

6. Tangible Capital Assets

	Net Book Value **2013**	Net Book Value 2012
Land	**$ 390**	$ 390
Buildings	**2,383**	2,549
Fleet assets	**63,293**	63,347
Equipment	**3,583**	3,879
	$ 69,649	$ 70,165

For additional information, see the Schedule of Tangible Capital Assets (Schedule 2).

The net book value of fleet assets not yet in service is $3,895 thousand (2012 - $2,650 thousand), and equipment not yet in service is $nil (2012 - $25 thousand).

Fleet assets written off during the year is $nil (2012 - $nil). Interest capitalized during 2013 is $nil (2012 - $nil).

7. Commitments

The Agency has entered into operating lease agreements for the lease of fleet equipment. Future minimum lease payments are $191 thousand in 2014.

8. Accumulated Surplus

	2013	2012
Contributed surplus	**$ 11,425**	$ 11,425
Surplus	**10,905**	12,262
	$ 22,330	$ 23,687

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 $44,657 thousand (2012 - $42,724 thousand) to The City of Winnipeg.

b) An amount of $1,083 thousand (2012 - $885 thousand) has been transferred to the General Revenue Fund for operator training and miscellaneous services.

c) An amount of $556 thousand (2012 - $232 thousand) has been transferred to the Municipal Accommodations Fund for the rental of office and garage space, and miscellaneous services.

d) An amount of $2 thousand (2012 - $2 thousand) 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 (2012 - $174 thousand).

f) An amount of $2,750 thousand (2012 - $nil) has been transferred to the General Revenue Fund as a return on investment.

THE CITY OF WINNIPEG **Schedule 1**
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

SCHEDULE OF SERVICES AND PARTS REVENUE

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

	Budget 2013 (Unaudited)	Actual 2013	Actual 2012
Consumables and corrective maintenance	**$ 3,708**	**$ 3,753**	$ 3,770
Insurance revenue	**1,838**	**1,703**	1,698
Power tools	**757**	**757**	742
Manufacturing sales	**311**	**690**	376
Autopac rebate	**397**	**581**	454
Other	**225**	**155**	269
Provincial support grant	**153**	**152**	150
	$ 7,389	**$ 7,791**	$ 7,459

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Schedule 2

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Buildings	Fleet Assets	Equipment	Total 2013	Total 2012
Cost						
Balance, beginning of year	$ 390	$ 3,710	$ 124,406	$ 6,650	$ 135,156	$ 131,172
Add:						
Additions during the year	-	-	13,876	113	13,989	6,577
Less:						
Disposals during the year	-	-	(2,414)	-	(2,414)	(2,593)
Balance, end of year	390	3,710	135,868	6,763	146,731	135,156
Accumulated amortization						
Balance, beginning of year	-	1,161	61,059	2,771	64,991	54,116
Add:						
Amortization	-	166	12,992	408	13,566	13,192
Less:						
Accumulated amortization on disposals	-	-	(1,475)	-	(1,475)	(2,317)
Balance, end of year	-	1,327	72,576	3,179	77,082	64,991
Net Book Value of Tangible Capital Assets	$ 390	$ 2,383	$ 63,292	$ 3,584	$ 69,649	$ 70,165

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2013	2012
FINANCIAL ASSETS		
Cash	**$ 29**	$ 53
Accounts receivable	**4,258**	4,547
Due from The City of Winnipeg - Land Operating Reserve (Note 3)	**10,000**	10,000
Due from The City of Winnipeg - General Revenue Fund (Note 4)	**-**	201
	14,287	14,801
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 4)	**1,489**	-
Accounts payable and accrued liabilities	**922**	661
Deferred revenue	**115**	191
Debt (Note 5)	**4,612**	6,022
Accrued employee benefits (Note 6)	**288**	244
	7,426	7,118
NET FINANCIAL ASSETS	**6,861**	7,683
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**9,890**	7,804
Inventories	**201**	121
Prepaid expenses	**48**	1
	10,139	7,926
ACCUMULATED SURPLUS (Note 8)	**$ 17,000**	$ 15,609

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 2013 (Unaudited)	**Actual 2013**	Actual 2012
REVENUES			
Enforcement (Note 10)	**$ 8,297**	**$ 7,742**	$ 8,190
Meters	**5,291**	**5,664**	5,186
Parking fees (Note 11a)			
Surface parking lots	**1,113**	**1,362**	1,454
Millennium Library parkade	**681**	**580**	694
Civic Centre parkade	**-**	**4**	608
Special events	**95**	**300**	256
Parking permits	**97**	**100**	80
Sundry	**-**	**44**	44
Total Revenues	**15,574**	**15,796**	16,512
EXPENSES			
Services (Notes 11c, f, h and l)			
Enforcement - contracts	**2,668**	**2,680**	2,609
Utilities	**1,031**	**1,033**	1,133
Parkade management	**250**	**255**	313
Meters	**40**	**32**	171
Special events	**80**	**126**	94
Other services (Note 11e)	**2,513**	**2,404**	2,228
Salaries and employee benefits (Note 6)	**2,675**	**2,371**	1,979
Amortization	**1,622**	**1,546**	1,930
Material, parts and supplies	**1,365**	**1,192**	1,766
Provision for bad debts	**758**	**1,367**	1,219
Write-down of tangible capital assets	**-**	**-**	963
Debt and finance charges (Notes 4 and 5b)	**172**	**178**	216
Recoveries	**-**	**(18)**	(141)
Other (Notes 11b, d, g, j and k)	**1,310**	**1,239**	1,017
Total Expenses	**14,484**	**14,405**	15,497
Excess Revenues over Expenses	**1,090**	**1,391**	1,015
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**15,609**	**15,609**	14,594
ACCUMULATED SURPLUS - END OF YEAR	**$ 16,699**	**$ 17,000**	$ 15,609

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 years ended December 31
(in thousands of dollars)

		2013		2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Excess of revenues over expenses	**$**	**1,391**	$	1,015
Non-cash items related to operations				
Write-down of tangible capital assets		**-**		963
Amortization		**1,546**		1,930
Retirement allowance and compensated absences		**-**		(36)
		2,937		3,872
Net change in non-cash working capital balances related to operations		**391**		99
Cash provided by operating activities		**3,328**		3,971
FINANCING				
Change in due from/to The City of Winnipeg - General Revenue Fund		**1,690**		(1,854)
Repayment of debt		**(1,410)**		(1,350)
Cash used in financing activities		**280**		(3,204)
CAPITAL				
Purchase of tangible capital assets		**(3,632)**		(801)
Cash used in capital activities		**(3,632)**		(801)
DECREASE IN CASH		**(24)**		(34)
CASH, BEGINNING OF YEAR		**53**		87
CASH, END OF YEAR	**$**	**29**	$	53

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 years ended December 31
(in thousands of dollars)

	Budget 2013 (Unaudited)	**Actual 2013**	Actual 2012
EXCESS REVENUES OVER EXPENSES	**$ 1,090**	**$ 1,391**	$ 1,015
Amortization of tangible capital assets	**1,622**	**1,546**	1,930
Change in inventories and prepaid expenses	**-**	**(127)**	(1)
Write-down of tangible capital assets	**-**	**-**	963
Acquisition of tangible capital assets	**(2,366)**	**(3,632)**	(801)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	**346**	**(822)**	3,106
NET FINANCIAL ASSETS , BEGINNING OF YEAR	**3,629**	**7,683**	4,577
NET FINANCIAL ASSETS, END OF YEAR	**$ 3,975**	**$ 6,861**	$ 7,683

See accompanying notes and schedule to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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 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 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 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	4%
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 from/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 from/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, 2013 effective interest rate was 0.95% (2012 - 0.95%).

Interest paid from The City of Winnipeg General Revenue Fund on the line of credit was $1 thousand for the year (2012 - received $4 thousand).

5. Debt

	2013	2012
The City of Winnipeg - General Revenue Fund		
Start-up loan with no specific terms of repayment	**$ 3,918**	$ 3,918
Equipment financing		
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	**694**	2,104
	$ 4,612	$ 6,022

a) Principal repayments on the equipment financing loans due to maturity are as follows:

2014	$	694

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2012 - $nil).

6. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2013	2012
Vacation	**$ 177**	$ 148
Retirement allowance - accrued benefit liability	**83**	68
Compensated absences	**28**	28
	$ 288	$ 244

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 of the liability was calculated as of July 31, 2012. The results of this valuation were extrapolated to the financial reporting date of December 31, 2013 using year-end assumptions.

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:

	2013		2012	
	Retirement Allowance	**Compensated Absences**	Retirement Allowance	Compensated Absences
Accrued benefit liability:				
Balance, beginning of year	**$ 101**	**$ 13**	$ 103	$ 12
Current service cost	**7**	**1**	7	1
Interest cost	**4**	**1**	4	-
Benefit payments	**-**		(48)	-
Net actuarial (gain)/loss	**(9)**		35	-
Balance, end of year	**103**	**15**	101	13
Unamortized net actuarial (loss)/gain	**(20)**	**13**	(33)	15
Accrued benefit liability	**$ 83**	**$ 28**	$ 68	$ 28
Benefit expense:				
Current service cost	**$ 7**	**$ 1**	$ 7	$ 1
Interest cost	**4**	**1**	4	-
Amortization of net actuarial	**-**	**-**		
(gain)/loss	**4**	**(2)**	1	(1)
	$ 15	**$ -**	$ 12	$ -
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 68**	**$ 28**	$ 104	$ 28
Benefit expense	**15**	**-**	12	-
Benefit payments	**-**	**-**	**(48)**	-
	$ 83	**$ 28**	$ 68	$ 28

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

	2013	2012
Valuation interest rate	**3.70%**	3.60%
General increases in pay	**3.50%**	3.50%

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, $175 thousand (2012 - $141 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, 2012 and it has an actuarial surplus.

7. Tangible Capital Assets

	Net Book Value	
	2013	2012
Land	**$ 73**	$ 73
Parkades	**4,380**	1,301
Authority assets		
Leasehold improvements	**280**	316
Parking surfaces	**324**	345
	604	661
Equipment		
Vehicles	**21**	63
Meters and pay stations	**4,487**	5,144
Equipment	**255**	369
Computer equipment	**59**	170
Office furniture and equipment	**11**	23
	4,833	5,769
	$ 9,890	$ 7,804

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

During the year, $nil (2012 - $963 thousand) of tangible capital assets were written-down.

8. Accumulated Surplus

	Budget 2013 (Unaudited)	**Actual 2013**	Actual 2012
Capital	**$ 15,185**	**$ 15,185**	$ 15,185
Contributed surplus	**172**	**172**	172
Operating	**1,342**	**1,643**	252
	$ 16,699	**$ 17,000**	$ 15,609

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
2014	$ 92
2015	61
2016	34
2017 and thereafter	18
	$ 205

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 $59 thousand (2012 - $105 thousand) during 2013.

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 $329 thousand (2012 - $551 thousand) to the City.

b) An amount of $37 thousand (2012 - $37 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 $137 thousand (2012 - $127 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.

d) An amount of $286 thousand (2012 - $279 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 $114 thousand (2012 - $122 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 (2012 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

g) An amount of $418 thousand (2012 - $407 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 $372 thousand (2012 - $362 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 $nil (2012 - $nil) is included for parking charges owing from the City.

j) An amount of $133 thousand (2012 - $133 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost for 311 services.

k) An amount of $42 thousand (2012 - $42 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

1) In Services, an amount of $24 thousand (2012 - $nil) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for flange repairs made to paystations.

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Parkades	Authority Assets	Equipment	Total 2013	Total 2012
Cost						
Balance, beginning of year	$ 73	$ 1,773	$ 998	$ 11,695	$ 14,539	$ 15,046
Add:						
Additions during the year	-	3,231	-	401	3,632	801
Less:						
Write-down of tangible capital assets	-	-	-	-	-	(1,308)
Disposals during the year	-	-	-	-	-	-
Balance, end of year	73	5,004	998	12,096	18,171	14,539
Accumulated amortization						
Balance, beginning of year	-	472	337	5,926	6,735	5,150
Add:						
Amortization	-	152	58	1,336	1,546	1,930
Less:						
Write-down of tangible capital assets	-		-		-	(345)
Accumulated amortization on disposals	-	-	-	-	-	-
Balance, end of year	-	624	395	7,262	8,281	6,735
Net Book Value of Tangible Capital Assets	$ 73	$ 4,380	$ 603	$ 4,834	$ 9,890	$ 7,804

2013 WHOLLY OWNED CORPORATIONS

DETAILED FINANCIAL STATEMENTS

THE CONVENTION CENTRE CORPORATION

STATEMENT OF REVENUES AND EXPENDITURES

Year Ended December 31

	2013	2012
Operating revenue (Note 16)	**$ 13,432,647**	$ 12,612,158
Operating costs	**6,412,597**	6,037,924
Net operating revenue	**7,020,050**	6,574,234
General operating grant (Note 15)		
City of Winnipeg	**1,500,000**	1,530,806
Province of Manitoba	**1,406,000**	1,406,000
	2,906,000	2,936,806
	9,926,050	9,511,040
Expenditures		
Accounting and financial services and human resources	**835,478**	755,805
Administration	**1,945,348**	1,821,385
Building maintenance	**3,712,714**	3,533,700
Client services	**1,118,126**	998,578
Sales and promotion	**918,421**	943,105
Security	**489,737**	494,108
	9,019,824	8,546,681
Excess of revenue over expenditures before the under-noted	**906,226**	964,359
City of Winnipeg debt servicing grants		
Debentures (Note 15)	**423,837**	434,442
Recognition of deferred contributions related to capital assets (Notes 6, 7 and 8)	**750,778**	818,025
Amortization of capital assets (Note 3)	**(1,287,336)**	(1,464,617)
Interest on City of Winnipeg debentures	**(156,145)**	(178,949)
Excess of revenue over expenditures	**$ 637,360**	$ 573,260

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FUND BALANCES

Year ended December 31

	2013	2012
BALANCE, beginning of year	**$ 2,870,197**	$ 2,296,937
Excess of revenue over expenditures	**637,360**	573,260
BALANCE, end of year	**$ 3,507,557**	$ 2,870,197

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31

	2013	2012
ASSETS		
Current		
Cash	**$ 8,196,393**	$ 2,379,929
Accounts receivable	**1,395,425**	1,272,242
Receivable - expansion (Note 9)	**6,147,510**	4,924,207
Inventory	**203,714**	207,722
Prepaid expenses	**182,764**	54,407
	16,125,806	8,838,507
Long-term prepaid expenses	**149,087**	-
Capital assets (Note 3)	**44,605,383**	14,956,617
Deferred expansion costs (Note 3)	**-**	6,336,538
	$ 60,880,276	$ 30,131,662
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 2,545,472**	$ 2,547,737
Accounts payable related to expansion	**3,035,710**	4,685,945
Customer deposits and unearned revenue	**597,347**	609,439
Advance - expansion (Note 9)	**8,366,436**	-
Current portion of City of Winnipeg debentures (Note 5)	**232,827**	258,821
	14,777,792	8,101,942
City of Winnipeg debentures (Note 5)	**139,645**	372,472
Deferred contributions related to capital assets (Note 6)	**327,715**	622,473
Deferred funding - wall cladding replacement and stabilization (Note 7)	**2,947,082**	3,277,041
Deferred funding - roof replacement (Note 8)	**2,837,269**	2,963,330
Deferred funding - expansion (Note 9)	**29,343,216**	4,924,207
Due to Province of Manitoba (Note 10)	**7,000,000**	7,000,000
	57,372,719	27,261,465
FUND BALANCES		
Operating fund (Note 11)	**520,200**	510,000
Restricted fund (Note 12)	**1,213,527**	1,901,583
Invested in capital assets (Note 13)	**1,773,830**	458,614
	3,507,557	2,870,197
	$ 60,880,276	$ 30,131,662

Commitments (Note 19)

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31

	2013	2012
Increase (decrease) in cash and cash equivalents		
OPERATING		
Excess of revenue over expenditures	**$ 637,360**	$ 573,260
Adjustments for:		
amortization of capital assets	**1,287,336**	1,464,617
recognition of deferred contributions related to capital assets	**(750,778)**	(818,025)
	1,173,918	1,219,852
Net changes in working capital balances		
Accounts receivable	**(123,183)**	(31,747)
Expansion funding receivable	**(1,223,303)**	(4,924,207)
Roof replacement funding receivable	**-**	1,428,072
Inventory	**4,008**	(24,644)
Prepaid expenses	**(128,357)**	12,168
Long-term prepaid expenses	**(149,087)**	-
Accounts payable and accrued liabilities	**(2,265)**	(140,949)
Accounts payable related to expansion	**(1,650,235)**	4,685,945
Customer deposits and unearned revenue	**(12,092)**	107,908
	(2,110,596)	2,332,398
FINANCING		
City of Winnipeg debenture repayments	**(258,821)**	(255,910)
Debt to Province of Manitoba for land purchase	**-**	7,000,000
	(258,821)	6,744,090
CAPITAL		
Deferred expansion costs	**-**	(6,022,505)
Major repair and replacement expenditures	**(140,754)**	(277,003)
Expansion costs	**(24,458,810)**	-
Deferred funding received in year	**-**	277,902
Land purchase	**-**	(7,130,880)
Advance of expansion funding received	**8,366,436**	-
Deferred funding for expansion	**24,419,009**	4,924,207
	8,185,881	(8,228,279)
NET INCREASE (DECREASE) IN CASH	**5,816,464**	848,209
Cash and cash equivalents, net of bank indebtedness		
Beginning of year	**2,379,929**	1,531,720
End of year	**$ 8,196,393**	$ 2,379,929

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

1. Nature of Operations

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. Summary of Significant Accounting Policies

Basis of accounting

The Corporation's financial statements are prepared in accordance with Canadian public sector accounting standards in the CICA Public Sector Accounting Handbook. The Corporation has elected to apply the accounting standard recommendations applicable solely to government not-for-profit organizations in Sections PS 4200 to PS 4270 of the CICA Public Sector Accounting Handbook.

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 a defined sufficient amount in the Operating Fund to fund future operations, and if necessary, to transfer funds from the Restricted Fund to meet the defined objective.

As major repairs and replacements are acquired, a like amount is transferred from the Restricted Fund to the Invested in Capital Asset Fund. Capital expenditures related to the expansion are transferred from the Operating Fund to the Invested in Capital Asset Fund as these costs are considered a special project not to be funded by the Restricted 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.

Cash

Cash and cash equivalents consist of bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

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.

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

Amortization is calculated at the following rates and basis:

Major capital expenditures	-	at rate of related debenture repayment
Revitalization program	-	at rate of debenture repayment
Major repair and replacement	-	on a straight line basis over 5 years
Wall cladding replacement and stabilization	-	on a straight line basis over 20 years
Roof replacement	-	on a straight line basis over 25 years

When the Corporation recognizes that a capital asset no longer has any long-term service potential, the excess of net carrying amount of the capital asset over its residual value is recognized as an expense in the statement of revenues and expenditures.

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.

Vacation pay and sick leave entitlement

Vacation pay and sick leave entitlements are accrued and expensed as the amounts are earned.

Financial instruments

The Corporation applies the recommendations of Sections PS 1201, Financial Statement Presentation, and PS 3450, Financial Instruments, of the CICA Public Sector Accounting Handbook.

Initial measurement

The Corporation recognizes a financial asset or a financial liability on the statement of financial position when, and only when, it becomes a party to the contractual provisions of the financial instrument. Unless otherwise stated, financial assets and liabilities are initially measured at cost.

The Corporation's financial instruments consist of cash, accounts receivable, expansion funding receivable, accounts payable and accrued liabilities, accounts payable related to the expansion, the City of Winnipeg debentures, and the payable to the Province of Manitoba.

Subsequent measurement

At each reporting date, the Corporation measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

The Corporation determines whether there is any objective evidence of impairment of the financial assets. Any financial asset impairment is recognized in the statement of revenues and expenditures.

2. Summary of Significant Accounting Policies (continued)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards 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.

3. Capital Assets

	Cost	Accumulated Depreciation	Net Book Value 2013	Net Book Value 2012
Land	**$ 7,130,880**	**$ -**	**$ 7,130,880**	$ 7,130,880
Major capital expenditures	**2,000,000**	**1,983,182**	**16,818**	61,061
Revitalization program				
City of Winnipeg portion	**3,000,000**	**2,644,345**	**355,655**	570,233
Province of Manitoba portion	**2,000,000**	**1,755,789**	**244,211**	387,263
Major repair and replacement	**12,700,818**	**12,593,245**	**107,573**	537,009
Wall cladding replacement	**6,599,175**	**3,652,093**	**2,947,082**	3,277,041
Roof replacement	**3,140,880**	**303,611**	**2,837,269**	2,963,330
Expansion project under construction	**30,795,341**	**-**	**30,795,341**	
Art holdings	**32,600**	**-**	**32,600**	29,800
	$ 67,399,694	**$ 22,932,265**	**$ 44,467,429**	$ 14,956,617

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 5). The costs are amortized in an amount equal to the principal repayments on the related debentures, which approximates the estimated useful life of the assets.

Revitalization program

In the years 1991 to 1996 inclusive, the Corporation incurred costs for revitalization programs funded by the City of Winnipeg and the Province of Manitoba.

City of Winnipeg portion

The revitalization programs expenditures funded by the City are carried at cost and are equal to the related debentures (Note 5). 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.

3. *Capital Assets (continued)*

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.

Expansion project under construction

This amount represents the expenditures for the expansion of the existing facility. A portion of these costs were previously deferred until construction commenced and include design, project management, legal, insurance, and other related costs. Once construction is complete, the costs will be amortized over the useful life of the assets. The funding for the project is recorded as deferred revenue and will be amortized to income at the same rate as the asset is amortized.

Interest on directly attributable debt is capitalized during the construction period. Interest in the amount of $55,872 (2012: $nil) was capitalized during the year and included in the expansion project under construction balance.

Amortization expenses

	2013	2012
Major capital expenditures	**$ 44,243**	$ 51,551
Revitalization program:		
City of Winnipeg portion	**214,578**	204,359
Province of Manitoba portion	**143,052**	136,240
Major repair and replacement	**429,443**	622,218
Wall cladding replacement	**329,959**	329,959
Roof replacement	**126,061**	120,290
	$ 1,287,336	$ 1,464,617

4. 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, 2013 and December 31, 2012 is nil.

5. City of Winnipeg Debentures

	Debenture	**Sinking Fund**	**Net of Sinking Fund 2013**	Net of Sinking Fund 2012
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	$ 2,639,733	**$ 360,267**	$ 574,855
For major capital expenditures:				
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	87,795	**12,205**	19,358
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	225,000	-	8,000
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	-	-	-	29,080
	$ 3,325,000	2,952,528	372,472	631,293
Current portion			232,827	258,821
			$ 139,645	$ 372,472

5. City of Winnipeg Debentures (continued)

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

2014	$	232,827
2015	$	139,645

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.

6. 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.

	2013	2012
Beginning balance	**$ 622,473**	$ 990,249
Deduct amounts recognized as revenue:		
Major repair and replacement expenditures	**(151,594)**	(227,669)
Provincial portion of revitalization program expenditures	**(143,164)**	(140,107)
	$ 327,715	$ 622,473

7. 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.

	2013	2012
Beginning balance	**$ 3,277,041**	$ 3,607,000
Deduct amount amortized to revenue	**(329,959)**	(329,959)
	$ 2,947,082	$ 3,277,041

8. 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.

	2013	2012
Beginning balance	$ **2,963,330**	$ 2,805,717
Additions in the year	**-**	277,903
Deduct amount amortized to revenue	**(126,061)**	(120,290)
	$ 2,837,269	$ 2,963,330

9. *Receivable - Expansion; Advance - Expansion; Deferred Funding - Expansion*

The expansion is being funded by contributions from the City of Winnipeg, Province of Manitoba, Government of Canada and by the corporation. The funding received is being deferred until the completion of the project and will be amortized on the same basis as the related asset. Deferred funding - expansion at December 31 are as follows:

	2013	2012
City of Winnipeg	$ **4,203,926**	$ 1,638,065
Province of Manitoba	**9,780,084**	1,641,238
Government of Canada	**15,359,206**	1,644,904
	$ 29,343,216	$ 4,924,207

During the year, the Province of Manitoba advanced a portion of their funding requirement for which eligible expenditures had not yet been incurred. As eligible expenditures arise, the advance will be utilized.

Certain funding requirements were due at December 31 as follows:

	2013	2012
City of Winnipeg	$ **205,298**	$ 1,638,065
Province of Manitoba	-	1,641,238
Government of Canada	**5,942,212**	1,644,904
	$ 6,147,510	$ 4,924,207

10. *Due to Province of Manitoba*

Pursuant to an agreement during the prior year, the Province of Manitoba sold land to the City of Winnipeg, for the purpose of the expansion of the Centre. The City of Winnipeg is the registered owner of the land. However, the Centre, as the beneficial owner of the land, agreed to pay the $7,000,000 purchase price to the Province of Manitoba. The purchase price will be payable at the earliest of:

a) five business days after the date on which the Province of Manitoba has reimbursed the Corporation for not less than the difference between $51,000,000 and the balance to close of eligible costs under the contribution agreement entered into between the Province of Manitoba and the Corporation for the expansion,
b) five business days after the date of substantial completion of the expansion, or
c) December 31, 2015.

11. *Operating Fund*

Transactions in the operating fund during the year are as follows:

	2013	2012
Opening balance	**$ 510,000**	$ 836,247
Excess of revenues over expenditures	**637,360**	573,260
Capital assets (expansion project costs) purchased in the year, net of externally restricted amounts	**(1,452,125)**	-
Amortization of invested in capital assets	**277,663**	394,549
Transfer of funds internally restricted for capital assets expenditures	**547,302**	(1,294,056)
	$ 520,200	$ 510,000

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.

	2013	2012
Opening balance	**$ 1,901,583**	$ 737,509
Capital assets purchased in the year, net of externally restricted amounts	**(140,754)**	(129,982)
Transfer of funds internally restricted for capital asset expenditures	**(547,302)**	1,294,056
	$ 1,213,527	$ 1,901,583

13. Invested in Capital Assets

Invested in capital assets represents total capital assets less amounts amortized less specific deferred contributions.

	2013	2012
Opening balance	**$ 458,614**	$ 723,181
Capital assets purchased in the year, net of disposals	**140,754**	7,407,884
Expansion project assets purchased in the year	**30,795,341**	-
Deferred contributions related to the expansion project	**(29,343,216)**	-
Deferred funding - roof replacement	**-**	(277,902)
Debt related to land purchase	**-**	(7,000,000)
	1,592,879	129,982
Amortization of invested in capital assets	**(277,663)**	(394,549)
	$ 1,773,830	$ 458,614

14. Expansion Funding

In order to finance the cost of the expansion, the Corporation has entered into an agreement with the Province of Manitoba for funding of up to $51,000,000. Agreements with the City of Winnipeg and Government of Canada were also signed for funding of up to $51,000,000 and $46,646,667, respectively.

Effective January 11, 2013, the Corporation has entered into a credit agreement with the Royal Bank of Canada to secure financing of $33,000,000 in order to fund its portion of the future expansion costs. This financing can be taken as a risk based pricing loan or fixed rate term loan. These funds can be accessed by the Corporation at any time, with the interest rate to be determined at the time funds are withdrawn. This expansion financing is secured by a promissory note signed by the Corporation for $33,000,000, a general security agreement, and a guarantee from the City of Winnipeg. The balance of this credit agreement at year-end is $nil (2012 - $nil).

15. Grants

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

		2013		2012
City of Winnipeg	**$**	**1,923,837**	$	1,965,248
Province of Manitoba		**1,406,000**		1,406,000
	$	**3,329,837**	$	3,371,248
The grants are allocated as follows:				
General operating grant	**$**	**2,906,000**	$	2,936,806
Debt service				
- City of Winnipeg debenture		**423,837**		434,442
	$	**3,329,837**	$	3,371,248

16. Related Party Transactions

In addition to the grants and contributions received from the City of Winnipeg and the Province of Manitoba (Notes 6, 7, 8, 9 and 14), the City of Winnipeg debentures (Note 5), and the payable to the Province of Manitoba (Note 10), the Corporation had the following transactions with these related parties during the year.

Operating revenues of $492,183 related to events held at the Winnipeg Convention Centre.

The transactions 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.

17. Financial Instruments

Financial risk management objectives and policies

The Corporation is exposed to various financial risks resulting from its operating, investing and financing activities. The Corporation's management manages financial risks.

During the year, there were no changes to the financial instrument risk management policies, procedures and practices. The means used by the Corporation to manage each of the financial risks are described in the following paragraphs.

Credit risk

The Corporation is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Corporation has determined that the financial assets with more credit risk exposure are trade and other receivables since failure of any of these parties to fulfill their obligations could result in significant financial losses for the Corporation.

The trade and other receivable balances are managed and analyzed on an ongoing basis and, accordingly, the Corporation's exposure to doubtful accounts is not significant.

17. *Financial Instruments (continued)*

The credit risk regarding cash and cash equivalents is considered to be negligible because they are held by reputable financial institutions with an investment grade external credit rating.

The carrying amount on the statement of financial position of the Corporation's financial assets exposed to credit risk represents the maximum amount exposed to credit risk.

The Corporation's management considers that all the above financial assets that are not impaired or past due are of good credit quality. None of the Corporation's financial assets are secured by a collateral instrument or other form of credit enhancement. There are no impaired financial assets or significant past due amounts as at December 31, 2013 and December 31, 2012.

Market risk

The Corporation's financial instruments expose it to market risk, in particular, interest rate risk.

Interest rate risk

The Corporation is exposed to interest rate risk with respect to financial liabilities bearing fixed and variable interest rates. The City of Winnipeg debentures bear interest at fixed rates and the Corporation is, therefore, subject to fair value risk.

The Corporation is not exposed to significant currency or other price risk.

Liquidity risk

The Corporation's liquidity risk represents the risk that the Corporation could encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Corporation has financing sources for a sufficient authorized amount. The Corporation establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations.

As at December 31, 2013, the Corporation's contractual maturities for financial liabilities (including any interest payments) are as follows:

	Due within 1 year	Due in 1-5 years
Accounts payable and accrued liabilities	$ 5,581,182	$ -
City of Winnipeg debentures	232,827	139,645
Payable to Province of Manitoba	-	7,000,000
	$ 5,814,009	$ 7,139,645

18. Comparison to Budgeted Results

		Actual 2013		Budget 2013 (Unaudited)		Variance
Operating revenue	**$**	**13,432,647**	$	12,886,131	$	546,516
Operating costs		**6,412,597**		6,049,901		362,696
Net operating revenue		**7,020,050**		6,836,230		183,820
General Operating Grant		**3,329,837**		3,360,644		(30,807)
		10,349,887		10,196,874		153,013
Expenditures		**9,019,824**		9,222,846		(203,022)
Transfer to major repairs and replacements		**550,191**		550,191		-
General operating grant allocated to debenture repayments		**423,837**		423,837		-
Net operating revenue less expenditures as budgeted	**$**	**356,035**	$	-	$	356,035
Reversal of transfer to major repairs and replacements		**550,191**		-		550,191
Net operating revenue less expenditures	**$**	**906,226**	$	-	$	906,226

19. Commitments

The Corporation has entered into service contracts for elevator maintenance, housekeeping and security services. These contracts expire at different periods between 2013 and 2017.

Future minimum payments in aggregate for each of the next five years are as follows:

2014	1,158,792
2015	1,165,484
2016	975,701
2017	341,401

20. Pension Plan

Description of benefit plan

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 2013 were $474,910 (2012 - $427,690).

21. 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.

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 with comparative information for 2012

	2013	2012
ASSETS		
Current assets:		
Cash	$ 1,293,690	$ 956,310
Investments (note 3)	536,375	703,229
Accounts receivable	61,547	184,165
Prepaid expenses	84,638	133,425
	1,976,250	1,977,129
Capital assets (note 4)	60,072	81,203
	$ 2,036,322	$ 2,058,332
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 92,092	$ 128,139
Deferred rent	13,309	10,346
Deferred contributions:		
Future expenses (note 5)	578,063	668,937
Capital assets (note 6)	-	26,334
	578,063	695,271
Net assets:		
Invested in capital assets (note 7)	60,072	54,869
Unrestricted	487,056	495,250
	547,128	550,119
Internally restricted:		
Appropriated for Yes! Winnipeg initiative reserve (note 8)	153,500	153,500
Appropriated for contingency reserve (note 8)	652,230	520,957
	1,352,858	1,224,576
Commitments (note 9)		
	$ 2,036,322	$ 2,058,332

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENTS OF REVENUE AND EXPENDITURES

Year ended December 31, 2013 with comparative information for 2012

	2013	2012
REVENUE:		
Funding:		
The City of Winnipeg	**$ 2,301,479**	$ 2,284,369
Province of Manitoba	**1,412,000**	1,412,000
Partnerships and investors contributions	**1,678,504**	1,612,319
Interest	**19,871**	18,630
Amortization of deferred contributions - capital assets (note 7)	**26,334**	31,596
	5,438,188	5,358,914
EXPENDITURES:		
Initiatives and marketing	**1,520,171**	1,776,154
Personnel	**3,251,489**	3,011,055
Administrative	**306,542**	312,819
Occupancy and facilities	**231,704**	231,156
	5,309,906	5,331,184
EXCESS OF REVENUE OVER EXPENDITURES	**$ 128,282**	$ 27,730

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENTS OF CHANGES IN NET ASSETS

Year ended December 31, 2013, with comparative information for 2012

	Unrestricted			Internally restricted			
	Invested in Capital Assets	**Operating**	**Yes! Winnipeg Initiative**	**Contingency Reserve**	**Yes! Winnipeg Initiative Reserve**	**2013 Total**	2012 Total
Balances, beginning of year	**$ 54,869**	**$ 402,497**	**$ 92,753**	**$ 520,957**	**$ 153,500**	**$ 1,224,576**	$ 1,196,846
Excess (deficiency) of revenue over expenditures	**(32,934)**	**203,364**	**(42,148)**	**-**	**0 -**	**128,282**	27,730
Transfer of funds for internally restricted purposes (note 8)	**-**	**(131,273)**	**-**	**131,273**	**-**	**-**	-
Transfer to Yes! Winnipeg initiative	**-**	**(132,996)**	**132,996**	**-**	**-**	**-**	-
Transfer for acquisition of capital assets	**38,137**	**(38,137)**	**-**	**-**	**-**	**-**	-
Balances, end of year	**$ 60,072**	**$ 303,455**	**$ 183,601**	**$ 652,230**	**$ 153,500**	**$ 1,352,858**	$ 1,224,576

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENTS OF CASH FLOWS

Year ended December 31, 2013 with comparative information for 2012

	2013	2012
Cash provided by (used in):		
OPERATING ACTIVITIES:		
Excess of revenue over expenditures	**$ 128,282**	$ 27,730
Items not involving cash:		
Amortization of capital assets	**59,268**	66,894
Amortization of deferred contributions - capital assets	**(26,334)**	(31,596)
Amortization of deferred rent	**2,963**	(12,415)
Change in non-cash operating working capital:		
Accounts receivable	**122,618**	(128,934)
Prepaid expenses	**48,787**	(41,581)
Accounts payable and accrued liabilities	**(36,047)**	57,567
Net increase in deferred contributions - future expenses	**(90,874)**	101,951
	208,663	39,616
CAPITAL ACTIVITIES:		
Purchase of capital assets	**(38,137)**	(26,829)
INVESTING ACTIVITIES:		
Investments, net	**166,854**	250,999
INCREASE IN CASH	**337,380**	263,786
CASH, beginning of year	**956,310**	692,524
CASH, end of year	**$ 1,293,690**	$ 956,310

See accompanying notes to financial statements

1. General:

Economic Development Winnipeg Inc. ("EDW"or the organization) is the City of Winnipeg's lead organization for economic development and tourism development. EDW is an arm's length organization led by an independent private sector Board of Directors appointed by the members. The City of Winnipeg and the Province of Manitoba are the members and provide core funding to the organization.

EDW facilitates investment promotion and attraction, capacity building, marketing and the management of market information. EDW leads global investment attraction, and local business retention and expansion, with its Yes! Winnipeg initiative. EDW is also responsible for the City's tourism development activities, which it orchestrates through its Tourism Winnipeg division. Its mission is to facilitate a healthy, prosperous, responsible and fully integrated tourism industry that enhances Winnipeg's economic growth.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition:

The organization follows the deferral method of accounting for contributions. Externally 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:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of revenue and expenditures.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of revenue and expenditures and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

2. *Significant accounting policies (continued):*

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the Statement of Revenue and Expenditures.

The organization did not incur any remeasurement gains and losses during the year ended December 31, 2013 (2012 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

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. This lease also has escalating rents which are expensed on a straight-line basis over the period of the lease.

e) Income taxes:

The organization is a not-for-profit organization under the *Income Tax Act* and, accordingly, is exempt from income taxes, providing certain requirements of the *Income Tax Act* are met.

f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. *Investments:*

Investments consist of investments in money market instruments aggregating $381,340 (2012 - $24,446) and guaranteed investment certificates aggregating $155,035 (2012 - $678,783). The fair value of investments has been determined using Level 1 of the fair value hierarchy.

4. *Capital assets:*

	Cost	Accumulated Amortization	2013 Net Book Value	2012 Net Book Value
Computer hardware and software	**$ 202,995**	**$ 170,518**	**$ 32,477**	$ 18,972
Office furniture and fixtures	**136,097**	**116,345**	**19,752**	20,014
Leasehold improvements	**350,969**	**343,126**	**7,843**	42,217
	$ 690,061	**$ 629,989**	**$ 60,072**	$ 81,203

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.

	2013	2012
Balance, beginning of year	**$ 668,967**	$ 566,986
Amounts received during the year	**1,449,955**	1,504,421
	2,118,892	2,071,407
Less: amounts recognized into revenue in the year	**(1,540,829)**	(1,402,470)
Balance, end of year	**$ 578,063**	$ 668,937

Deferred contributions for future expenses are related to the following initiatives:

	2013	2012
Yes! Winnipeg:		
Province of Manitoba funding	**$ 135,000**	$ 135,000
Investors contributions	**416,555**	473,081
Team Winnipeg	**21,896**	46,578
Winnipeg Tour Connection	**4,612**	14,278
Balance, end of year	**$ 578,063**	$ 668,937

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.

	2013	2012
Balance, beginning of year	**$ 26,334**	$ 57,930
Amount amortized to revenue	**(26,334)**	(31,596)
Balance, end of year	**$ -**	$ 26,334

7. Invested in capital assets:

		2013		2012
Capital assets	**$**	**60,072**	$	81,203
Deferred contributions - capital assets		**-**		(26,334)
Invested in capital assets	**$**	**60,072**	$	54,869

8. Internally restricted:

(a) Yes! Winnipeg initiative reserve:

The Yes! Winnipeg initiative reserve was established by the Board of Directors during fiscal 2011 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. The Yes! Winnipeg initiative is funded by $153,500 (2012 - $153,500) included in investments at December 31,2013.

(b) 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, 2013, $131,273 (2012 - $2,817) 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, 2013. The contingency reserve is funded by $652,230 (2012 - $520,957 included in investments) in cash at December 31,2013.

9. Commitments:

The organization is committed under leases for office premises and equipment for a total of $479,086. The minimum lease payments until maturity are as follows:

2014	164,686
2015	179,657
2016	134,743

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.

		2013		2012
Convention development fund:				
Balance, beginning of year	**$**	**72,214**	$	87,214
Funds used during the year		**(72,214)**		(15,000)
Balance, end of year, and amount of funds held	**$**	**-**	$	72,214

10. *Segregated funds (continued):*

	2013	2012
Special event marketing fund:		
Balance, beginning of year	**$ 1,733,867**	$ 1,213,782
Funds received during the year	**317,642**	704,369
Funds used during the year	**(502,097)**	(198,967)
Interest earned	**25,966**	14,683
Balance, end of year, and amount of funds held	**$ 1,575,378**	$ 1,733,867

At December 31, 2013, funds of $1,456,875 have been committed from the special event marketing fund towards several tourism attraction activities over the next five years as follows:

2014	$ 776,317
2015	519,224
2016	125,278
2017	-
2018	36,056

11. *Financial risks:*

The organization has exposure to the following risks associated with its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The organization is exposed to credit risk with respect to the accounts receivable, cash and investments.

The organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the organization at December 31, 2013 is the carrying value of these assets.

At December 31, 2013, all accounts receivable were current, there were no amounts past due.

The maximum exposure to investment credit risk is as disclosed in Note 3.

There have been no significant changes to the credit risk exposure from 2012.

(b) Liquidity risk:

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization manages liquidity risk by monitoring its operating requirements. The organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2013.

There have been no significant changes to the liquidity risk exposure from 2012.

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 $110,272 (2012 - $93,464).

ECONOMIC DEVELOPMENT WINNIPEG INC.

SCHEDULE - STATEMENT OF REVENUE AND EXPENDITURES - YES! WINNIPEG

Year ended December 31, 2013 with comparative information for 2012

	2013	2012
REVENUE:		
Province of Manitoba funding	**$ 135,000**	$ 135,000
Investors contributions	**1,080,646**	1,017,891
	1,215,646	1,152,891
EXPENDITURES:		
Initiatives and marketing	**111,445**	219,386
Personnel	**1,072,514**	1,010,467
Administrative	**72,578**	95,037
Occupancy and facilities	**1,257**	1,240
	1,257,794	1,326,130
DEFICIENCY OF REVENUE OVER EXPENDITURES	**$ (42,148)**	$ (173,239)

	2013
Unrestrcited Yes! Winnipeg net assets as at December 31,2012	**$ 92,753**
Deficiency of revenue over expenditures, before transfer from unrestricted operating net assets of the organization	**(42,148)**
Transfer from unrestricted operating net assets of the organization during the year ended December 31, 2013	**132,996**
Unrestricted Yes! Winnipeg net assets as at December 31, 2013	**$ 183,601**

Yes! Winnipeg is a five year initiative of EDW (January 1,2011 - December 31, 2015). Revenue and expenditures related to the Yes! Winnipeg initiative, which is included in the Statement of Revenue and Expenditures of the organization, are presented above.

In conjunction with the transfer of net assets of Yes! Winnipeg to the organization on January 1, 2011, the Board had approved an annual transfer of $132,996 from the unrestricted operating net assets of the organization towards the operations of the Yes! Winnipeg initiative. For the year ended December 31, 2013, the organization has allocated $132,996 (2012 - $132,996) of these unrestricted operating net assets towards the operations of the Yes! Winnipeg initiative. At December 31, 2013, the Yes! Winnipeg initiative has unrestricted net assets in aggregate of $183,601 (2012 - $92,753).

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

		2013		2012
ASSETS				
Cash	**$**	**142,157**	$	373,314
Accounts receivable (Note 3)		**1,074,196**		791,276
	$	**1,216,353**	$	1,164,590
LIABILITIES				
Due to City of Winnipeg - General Revenue Fund (Note 5)	**$**	**960,147**	$	880,474
Debt (Note 6)		**141,221**		423,635
		1,101,368		1,304,109
NET ASSETS (CAPITAL DEFICIENCY)		**114,985**		(139,519)
	$	**1,216,353**	$	1,164,590

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CAPITAL DEFICIENCY)

For the years ended December 31
(unaudited)

	2013	2012
REVENUES		
Entertainment funding tax - Winnipeg Football Club (Note 3)	**$ 230,637**	$ 741,538
Interest (Note 3)	**52,283**	49,738
Other	**-**	4,600
	282,920	795,876
EXPENSES		
Write-off of long-term receivable (Note 4)	**-**	733,389
Interest on debt and other finance charges	**28,062**	41,588
Professional fees	**354**	354
	28,416	775,331
NET INCOME FOR THE YEAR	**254,504**	20,545
CAPITAL DEFICIENCY - BEGINNING OF YEAR	**(139,519)**	(160,064)
NET ASSETS (CAPITAL DEFICIENCY) - END OF YEAR	**$ 114,985**	$ (139,519)

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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, accounts receivable, due to City of Winnipeg - General Revenue Fund, debt and an interest rate swap on the debt. Unless otherwise stated, the book value of the Corporations'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 6.

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. *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 Winnipeg Football Club ("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, 2013 is $1,074,196 (2012 - $1,021,913).

3. *Entertainment Funding Tax - Winnipeg Football Club (continued)*

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.

On December 12, 2012, City Council approved the request by the WFC to defer and retain future entertainment funding tax payments commencing in 2012 for five years. The outstanding debt including the accrued interest is to be repaid by the end of 2017.

4. *Due from City of Winnipeg*

The due from City of Winnipeg represented 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 WFC. The receivable was written-down based on the amortization of the property and equipment using the straight-line method over 10 years on the remaining unamortized balance.

5. *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 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, 2013 effective interest rate was 0.9% (2012 - 0.9%).

6. *Debt*

	2013	2012
Demand loan (credit facility A); bearing interest at a swap rate of 5.94% per annum until May 30, 2014; after which bears interest at prime; repayable in quarterly instalments of $70,833 plus interest	**$ 141,221**	$ 423,635

Credit facility A is secured by a limited guarantee from the City of Winnipeg of $7,650,000.

PHOTO: Jerry Grajewski

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31

	2013	2012
ASSETS		
Current Assets		
Cash held in trust	**$ -**	6,785,000
Accounts receivable (Note 3)	**3,957,160**	1,505,921
Prepaid expenses	**38,259**	9,924
Property held for resale (Note 4)	**796,770**	1,036,674
Current portion of mortgages receivable (Note 5)	**1,018,708**	898,342
Current portion of loans receivable (Note 6)	**2,639,830**	3,310,176
	8,450,727	13,546,037
Mortgages receivable (Note 5)	**2,040,185**	2,331,302
Loans receivable (Note 6)	**3,807,247**	2,863,325
Investment in hotel properties (Note 7)	**11,992,106**	89
Capital assets (Note 8)	**8,629,529**	9,139,726
	$ 34,919,794	$ 27,880,479
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bank indebtedness (Note 2)	**$ 6,453,656**	$ 6,827,488
Accounts payable and accrued liabilities	**607,417**	645,808
Deferred grant revenue (Note 9)	**748,298**	676,254
Current portion of long-term debt (Note 10)	**184,720**	162,741
	7,994,091	8,312,291
Long-term debt (Note 10)	**12,439,305**	4,128,952
Deferred government assistance (Note 11)	**5,705,300**	6,157,847
	26,138,696	18,599,090
Commitments and contingencies (Note 12)		
NET ASSETS		
Invested in capital assets (Note 13)	**1,002,087**	1,033,829
General	**97,000**	97,000
Urban Development Bank	**7,682,011**	8,150,560
	8,781,098	9,281,389
	$ 34,919,794	$ 27,880,479

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	Invested in Capital Assets	General	Urban Development Bank	Total
Balance, January 1, 2012	$ 1,194,219	$ 97,000	$ 8,927,274	$ 10,218,493
Excess (deficiency) of revenue over expenses	(207,427)	31,352	(761,029)	(937,104)
Fund transfers	-	(31,352)	31,352	-
Net change in invested in capital assets	47,037	-	(47,037)	-
Balance, December 31, 2012	**1,033,829**	**97,000**	**8,150,560**	**9,281,389**
Excess (deficiency) of revenue over expenses	**(201,083)**	**6,552**	**(305,760)**	**(500,291)**
Fund transfers	**-**	**(6,552)**	**6,552**	**-**
Net change in invested in capital assets	**169,341**	**-**	**(169,341)**	**-**
Balance, December 31, 2013	**1,002,087**	**$ 97,000**	**$ 7,682,011**	**$ 8,781,098**

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31

	General	Urban Development Bank	2013	2012
Revenue				
Grants				
City of Winnipeg - Operational grant	$ 300,000	$ -	$ 300,000	$ 300,000
City of Winnipeg - Downtown Residential Development Grant	-	15,493	15,493	14,912
Province of Manitoba	-	255,922	255,922	52,710
Designated grants	-	762,866	762,866	280,406
Amortization of derfered government assistance	-	452,547	452,547	452,547
Interest	433,905	-	433,905	494,477
Commissions and development fees	224,854	422	225,276	59,707
Rental	30,000	642,291	672,291	658,139
Sale of properties	-	411,700	411,700	1,525,000
Other	-	107,500	107,500	139,978
Income from hotel properties (Note 7)	-	(27,433)	(27,433)	-
	988,759	2,621,308	3,610,067	3,977,876
Expenditures				
Administration	43,769	1,779	45,548	38,022
Amortization	22,961	630,669	653,630	659,974
Bank charges and interest	2,768	195,947	198,715	10,199
Interests on long-term debt	-	88,872	88,872	90,277
Cost of properties	-	298,990	298,990	1,911,943
Grants paid out				
Designated revenues	-	762,866	762,866	280,406
Wages and Benefits	746,973	-	746,973	663,417
Insurance	16,496	17,288	33,784	25,860
Office	97,106	-	97,106	79,661
Professional fees				
IT and other	16,518	-	16,518	11,255
Accounting, legal and transaction costs	25,765	260,044	285,809	466,768
Marketing	32,812	3,275	36,087	48,891
Project development	-	469,766	469,766	235,776
Rental Properties	-	363,194	363,194	345,065
Bad debt	-	-	-	35,466
Community investment	-	12,500	12,500	12,000
	1,005,168	3,105,190	4,110,358	4,914,980
Deficiency of revenue over expenditures for the year	$ (16,409)	$ (483,882)	$ (500,291)	$ (937,104)
Allocated to:				
General	$ 6,552	$ -	$ 6,552	$ 31,352
Urban Development Bank	-	(305,760)	(305,760)	(761,029)
Invested in capital assets	(22,961)	(178,122)	(201,083)	(207,427)
Deficiency of revenue over expenditures for the year	$ (16,409)	$ (483,882)	$ (500,291)	$ (937,104)

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for the year	**$ (500,291)**	$ (937,104)
Adjustments for		
Amortization of capital assets	**653,630**	659,974
Accrued interest on mortgages	**164**	1,687
Accrued interest on loans receivable	**8,719**	(6,961)
Bad debt expense	**-**	35,466
Deferred government assistance	**(452,547)**	(452,547)
Income from hotel properties	**27,433**	-
	(262,892)	(699,485)
Changes in non-cash working capital balances		
Accounts receivable	**(2,451,239)**	31,458
Prepaid expenses	**(28,335)**	(718)
Property held for resale	**239,904**	1,459,059
Accounts payable and accrued liabilities	**(38,391)**	154,983
Holdbacks payable	**-**	(1,762)
Deferred grant revenue	**72,044**	(3,540)
	(2,206,017)	1,639,480
	(2,468,909)	939,995
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	**(143,433)**	(22,534)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of hotel properties	**(12,019,450)**	-
Advances of mortgages receivable	**(140,761)**	(1,497,192)
Receipts from mortgages receivable	**311,348**	1,922,277
Advances of loans receivable	**(1,485,539)**	(2,075,118)
Receipts from loans receivable	**1,203,245**	701,280
	(12,131,157)	(948,753)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	**8,514,532**	-
Repayment of long-term debt	**(182,201)**	(155,484)
Decrease in cash and cash equivalents during the year	**(6,411,168)**	(186,776)
Cash and cash equivalents, beginning of year	**(42,488)**	144,288
Cash and cash equivalents, end of year	**$ (6,453,656)**	$ (42,488)
Comprised of		
Bank indebtedness	**$ (6,453,656)**	$ (6,827,488)
Cash held in trust	**-**	6,785,000
	$ (6,453,656)	$ (42,488)

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

1. Summary of Significant Accounting Policies

a. Management's Responsibility for the Financial Statements

These consolidated financial statements of CentreVenture Development Corporation ("corporation") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board.

b. 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.

c. Basis of Consolidation

These consolidated financial statements include the accounts of CentreVenture Development Corporation, 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.

The investment in STR Properties Inc. and CCC Properties are reported as government business enterprise and accounted for using the modified equity method. Under this method, the government business accounting principles are not adjusted to conform with those of the corporation and inter-company transactions are not eliminated.

d. 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.

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

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, restricted cash and cash held in trust.

f. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Restricted cash, bank indebtedness and cash held in trust have been designated to be in the fair value category. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost. Due to the nature of the financial instruments held by CentreVenture Development Corporation, there are no unrealized gains or losses, and therefore a statements of remeasurement gains and losses are not required for these financial statements.

g. 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.

h. 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:

<u>Province of Manitoba: North Main Economic Development Program Grant</u>

The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

<u>City of Winnipeg: Downtown Housing Strategy</u>

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.

1. Summary of Significant Accounting Policies (continued)

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.

City of Winnipeg/Province of Manitoba: Downtown Residential Development Grant

The purpose of this grant is to promote and support significant improvement projects to revitalize communities and neighbourhoods, encourage economic development, enhance social and cultural development, and preserve heritage properties.

City of Winnipeg/Province of Manitoba: Sports, Hospitality, Entertainment District Grant

The purpose of this grant is to make the S.H.E.D. a key destination downtown, by providing funds to CentreVenture to stimulate private and public investment in the District, with the goal of revitalizing Winnipeg's downtown.

i. 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.

j. 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.

k. Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided for on a straight-line basis in accordance with the following estimated useful life of the assets:

Buildings	25 years
Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	3 years

l. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations 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.

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 1.00% 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, 2013, the line of credit had a balance owing of $5,077,425 ($6,415,608 as at December 31, 2012).

The Corporation has an approved line of credit with the Royal Bank of Canada in the amount of $6,600,000 (nil as at December 31, 2012). The line of credit bears interest at Royal Bank prime minus 1.00% and is guaranteed by the City of Winnipeg.

3. Accounts Receivable

	2013	2012
DRDG Grants	**$ 204,647**	$ -
Trade and other receivable	**465,683**	437,205
GST receivable	**47,513**	69,122
Grants receivable	**149,106**	149,933
S.H.E.D. Project	**3,090,211**	849,661
	$ 3,957,160	$ 1,505,921

4. Property Held for Resale

Under the asset agreement between CentreVenture Development Corporation and the City of Winnipeg, CentreVenture Development Corporation has the option to acquire an interest in surplus City-owned properties and buildings within the downtown area for the consideration of one dollar or a maximum of three years back property taxes. Any properties obtained under either of these options are recorded at the consideration price. 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:

	2013	2012
Property for sale	**$ 796,770**	$ 796,770
Property development costs	**-**	239,904
	$ 796,770	$ 1,036,674

5. *Mortgages Receivable*

		2013		2012
Mortgages receivable	**$**	**3,074,849**	$	3,245,436
Accrued interest receivable		**4,044**		4,208
Allowance for doubtful loans		**(20,000)**		(20,000)
		3,058,893		3,229,644
Current portion of mortgages receivable		**1,018,708**		898,342
	$	**2,040,185**	$	2,331,302

Mortgages receivable are on various properties in downtown Winnipeg with terms ranging from demand to maturity of 25 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 5.25% 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:

2014	$	1,018,708
2015		241,597
2016		241,597
2017		241,597
2018		241,597
Thereafter		1,089,753
Accrued interest		4,044
		3,078,893
Allowance		(20,000)
	$	3,058,893

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2014.

6. *Loans Receivable*

		2013		2012
Loans receivable	**$**	**6,524,393**	$	6,242,095
Accrued interest receivable		**27,684**		36,406
Allowance for doubtful loans		**(105,000)**		(105,000)
		6,447,077		6,173,501
Current portion of loans receivable		**2,639,830**		3,310,176
	$	**3,807,247**	$	2,863,325

6. Loans Receivable (continued)

Loans receivable from various borrowers have a maximum term to maturity of 30 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:

2014	$ 2,639,830
2015	1,795,585
2016	312,590
2017	177,096
2018	172,200
Thereafter	1,427,092
Accrued interest	27,684
	6,552,077
Allowance	(105,000)
	$ 6,447,077

The above schedule lists the expected receipts based on loans maturing during the year. Negotiations to renew loans may occur as terms expire throughout 2014.

7. Investment in Hotel Properties

STR Properties Inc. is 89% owned by the corporation, which owns the St. Regis property. CCC Properties Inc. is 89% owned by the corporation which includes interest in the land and building comprising of the Carlton Inn. These businesses were acquired as part of the corporation's mission to revitalize downtown Winnipeg.

	STR Properties Inc.	**CCC Properties Inc.**
Current assets	**$ 275,197**	**$ 194,760**
Long-term assets	**6,958,933**	**6,774,993**
Total assets	**$ 7,234,130**	**$ 6,969,753**
Current liabilities	**$ 729,756**	**$ -**
Equity	**6,504,374**	**6,969,753**
Total equity and liabilities	**$ 7,234,130**	**$ 6,969,753**
Revenues	**$ -**	**$ 3,486**
Expenses	**576**	**33,733**
Loss for the year	**$ (576)**	**$ (30,247)**

8. Capital Assets

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings	**$ 9,724,220**	**$ 1,430,814**	$ 9,609,320	$ 842,749
Computer equipment	**120,118**	**112,504**	113,321	105,041
Furniture and fixtures	**146,029**	**91,068**	124,293	66,933
Leasehold improvements	**575,219**	**301,671**	575,219	267,704
	$ 10,565,586	**$ 1,936,057**	$ 10,422,153	$ 1,282,427
Cost less accumulated amortization		**$ 8,629,529**		$ 9,139,726

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:

	2013	2012
Gail Parvin Hammerquist 2009	**$ 745,698**	$ 673,654
North Main Economic Development Program Grant	**2,600**	2,600
	$ 748,298	$ 676,254

10. *Long-term Debt*

		2012		2011
Mortgage payable at the rate of 4.59%, due January 2015, blended monthly payments of $9,565, the balance is secured by first mortgage against apartment complex at Kennedy and Balmoral, general security agreement and assignment of rent.	**$**	**1,922,143**	$	1,948,051
Royal Bank of Canada Insurance, term loan #1 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.		**2,206,806**		2,343,642
Term loan #2 at the fixed rate of 3.78%, due October 2027, blended annual equal payments of $19,457, secured by guarantee signed by the City of Winnipeg in the amount of $224,532.		**205,076**		-
Term loan #3 at the fixed rate of 3.98%, due October 2029, blended annual equal payments of $349,382, secured by guarantee signed by the City of Winnipeg in the amount of $3,890,000.		**3,890,000**		-
Term loan #4 at the fixed rate of 3.91%, due October 2029, blended annual payments of $393,254, secured by a guarantee signed by the City of Winnipeg in the amount of $4,400,000.		**4,400,000**		-
		12,624,025		4,291,693
Current portion of long-term debt		**184,720**		162,741
	$	**12,439,305**	$	4,128,952

Principal repayments for the next five years and thereafter are as follows:

2014	$	184,720
2015		2,611,685
2016		723,333
2017		730,307
2018		737,593
Thereafter		7,636,387
	$	12,624,025

Term loan #1, 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.

Term loan #2, was incurred to fund the first grant paid out under the Downtown Residential Development Grant. CentreVenture receives an annual payment against this loan over a 15 year period from the City of Winnipeg to cover the annual debt servicing costs (principal and interest).

10. Long-term Debt (continued)

Term loans #3 and #4 were incurred to finance the phase 1 of the Sports, Hospitality and Entertainment District project under the Strategic Downtown Investments Funding Agreement. Commencing in 2015, CentreVenture will receive an annual payment against this loan over a 15 year period from the Province of Manitoba and the City of Winnipeg to cover the annual debt servicing costs (principal and interest). Interest on advances made commencing in 2013 are also covered by the Province of Manitoba and the City of Winnipeg.

11. Deferred Government Assistance

The details of government assistance outstanding on forgivable loans are as follows:

		2012		2011
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).	**$**	**2,110,555**	$	2,270,555
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).		**2,365,578**		2,558,125
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).		**1,229,167**		1,329,167
	$	**5,705,300**	$	6,157,847

The five year forgiveness schedule for the forgivable loans is as follows:

2014	$	452,547
2015		452,547
2016		452,547
2017		452,547
2018		452,547
Thereafter		3,442,565
	$	5,705,300

At December 31, 2013, the corporation has met all requirements during the year relating to the terms of the forgivable loans.

12. *Commitments and Contingencies*

The corporation has made commitments for grants that had not been disbursed by the December 31, 2013 year end in the approximate amount of $244,490 ($480,000 in 2012).

The corporation has made commitments for loans that had not been disbursed by the December 31, 2013 year end in the approximate amount of $2,080,024 ($1,601,146 in 2012).

The corporation has made commitments for property development and property purchases with the maximum amount committed to be $nil ($nil in 2012) pending the recipient's ability to meet the requirements of the agreement.

The corporation has made commitments for leases for the next five years as follows:

2014	$ 25,149
2015	25,149
2016	25,149
2017	25,149
2018	25,149

13. *Invested in Capital Assets*

Investment in capital assets is calculated as follows:

	2013	2012
Capital assets	**$ 8,629,529**	$ 9,139,726
Long-term debt	**7,627,442**	8,105,897
	$ 1,002,087	$ 1,033,829

Change in net assets invested in capital assets is calculated as follows:

	2013	2012
Deficiency of revenue over expenditures		
Amortization of deferred government assistance	**$ 452,547**	$ 452,547
Amortization of capital assets	**(653,630)**	(659,974)
	$ (201,083)	$ (207,427)

Net changes in investment in capital assets		
Purchase of capital assets	**$ 143,433**	$ 22,534
Repayment of long-term debt	**25,908**	24,503
	$ 169,341	$ 47,037

14. *Related Party Transactions*

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

	2013	2012
REVENUE		
City of Winnipeg (parent) - operating grant	**$ 300,000**	$ 300,000
City of Winnipeg (parent) - miscellaneous	**30,549**	26,407
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
City of Winnipeg (parent) - Property taxes	**46,425**	76,393
City of Winnipeg (parent) - DRDG payments	**204,629**	**-**
OTHER		
City of Winnipeg (parent) - Assigned Heritage Tax Credits applied against loans receivable	**137,816**	154,334

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).

15. *Financial Instrument Risks*

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the corporation's President and Chief Executive Officer. The Board of Directors receives monthly reports from the corporation's President and Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The corporation's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Interest Rate Risk

The corporation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its mortgages and loans receivable, and long term debt. The corporation's objective is to minimize interest rate risk by locking in fixed rates on its mortgages and loans receivable, and its long-term debt.

The corporation is exposed to interest rate risk through its line of credit, which bears interest at prime minus one percent. These funds are used as interim financing until permanent financing, with a fixed rate, can be put in place.

The corporation's financial instruments subject to interest rate risk are subject to fixed rates of interest and will not be renewed within the next twelve months, therefore are not subject to interest rate risk. The line of credit is not subject to interest rate risk as it is a market rate and the funds are usually used for a period of less than twelve months.

15. Financial Instrument Risks (continued)

Credit Risk

The corporation is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the corporation's receivables are from government entities which minimizes the risk of non-collection. The corporation also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding.

The corporation is also exposed to credit risk through the possibility of non-collection of its mortgages and loans receivable. The corporation's loan guidelines set out the minimum requirements for management of credit risk. The corporations' loan guidelines include policies regarding the approval of lending, eligibility for loans, lending limits, and loan collateral security.

With respect to credit risk, the Board of Directors receives details of new loans and delinquent loans. The corporation's maximum exposure to the credit risk is limited to the amount presented on the face of the balance sheet for accounts receivable, mortgages and loans receivable.

Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they fall due. The corporation has a planning and budgeting process in place to help determine the funds required to support the corporation's normal operating requirements on an ongoing basis. The corporation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

16. 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.

17. 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. The S.H.E.D. is a collaborative initiative and will be a public investment funded by the City of Winnipeg and Province of Manitoba. CentreVenture will continue to play a key role as a project administrator for the balance of Phase 1 and 2 (currently conditionally approved for $16.6 million).

18. Comparative Figures

Certain of the comparative figures for the year ended December 31, 2012 have been reclassified to provide better comparison with the current year's presentation.

19. *Capital Management*

The corporation manages its capital according to the plan approved by the City of Winnipeg. That plan contains several 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. In the current year and each of the three prior years, the corporation's net assets have decreased based on the operating result. In each of these years, general unrestricted assets in excess of a minimum base of $97,000 have been transferred to the Urban Development Bank.

- The Urban Development Bank (UDB) was established by the City of Winnipeg, with an initial $10,000,000 investment and the right for the corporation to acquire certain properties from the City for $1 each. The net profits from the purchase and sale of these properties in downtown development transactions were added to the UDB increasing it to a maximum of almost $14,000,000 by the time all available properties had been sold. This land bank is now exhausted.

  The UDB's assets are used to make investments in mortgages and loans receivable as well as in capital assets to facilitate downtown development. The loans and mortgages are recovered by repayment. Investments in capital assets are ultimately sold. The cash realized from these UDB investments is then reinvested in further downtown development activity.

  In addition, the corporation's community investment activities are expensed in the Urban Development Bank, thereby reducing its equity. The corporation anticipates annual community investments of $500,000 to 1,000,000. In the current year, these activities depleted the Urban Development Bank to a year-end balance of approximately $8,700,000. This balance is comprised of the total of the equity "invested in capital assets" and the UDB equity balance.

WINNIPEG ARTS COUNCIL INC.

STATEMENT OF OPERATIONS

Year ended December 31

		2013		2012
REVENUES				
City of Winnipeg	**$**	**4,082,552**	$	4,082,552
Arts Development		**73,265**		76,798
Other income		**3,490**		18,162
Interest income		**17,890**		15,179
		4,177,197		4,192,691
EXPENSES				
Program expenses (Schedule of Expenses)		**3,640,368**		3,689,936
Administrative expenses (Schedule of Expenses)		**489,940**		453,955
		4,130,308		4,143,891
OTHER PROJECTS				
Cultural Capital of Canada contributions		**-**		270,362
Cultural Capital of Canada expenses		**-**		(214,997)
Public Art revenues		**202,293**		494,959
Public Art expenses (Schedule of Expenses)		**(202,293)**		(494,959)
		-		55,365
EXCESS OF REVENUES OVER EXPENSES BEFORE AMORTIZATION		**46,889**		104,165
AMORTIZATION		**(14,218)**		(14,712)
EXCESS OF REVENUES OVER EXPENSES AFTER AMORTIZATION (Note 6)	**$**	**32,671**	$	89,453

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 2013**	Total 2012
Net assets, beginning of years	$ 54,165	$ 60,965	$ 306,294	**$ 421,424**	$ 331,971
Excess (deficiency) of revenues over expenses	46,889	(14,218)	-	**32,671**	89,453
Transfers (Note 6)	(15,000)	-	15,000	**-**	-
Net assets, end of years	$ 86,054	$ 46,747	$ 321,294	**$ 454,095**	$ 421,424

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENTS OF FINANCIAL POSITION

December 31

	2013	2012
ASSETS		
Current		
Cash	**$ 2,487**	$ 65,978
Term deposits	**1,440,000**	1,105,000
Interest receivable	**11,919**	5,672
GST receivable	**3,625**	9,177
Prepaid expenses	**14,794**	4,632
	1,472,825	1,190,459
Equipment and leasehold improvements (Note 3)	**46,747**	60,965
	$ 1,519,572	$ 1,251,424
LIABILITIES		
Current		
Payables and accruals	**$ 6,760**	$ 9,522
Grant holdbacks (Note 4)	**99,699**	132,500
Deferred contributions (Note 5)	**959,018**	687,978
	1,065,477	830,000
NET ASSETS		
Unrestricted	**86,054**	54,165
Invested in Capital Assets	**46,747**	60,965
Internally Restricted (Note 8)	**321,294**	306,294
	454,095	421,424
	$ 1,519,572	$ 1,251,424

Commitment (Note 7)

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENTS OF CASH FLOWS

Year ended December 31

	2013	2012
Cash derived from (applied to)		
OPERATING		
Excess of revenues over expenses	**$ 32,671**	$ 89,453
Amortization	**14,218**	14,712
	46,889	104,165
Change in non-cash working capital		
Interest receivable	**(6,247)**	1,063
GST receivable	**5,552**	11,161
Prepaid expenses	**(10,162)**	52,356
Payables and accruals	**(2,762)**	4,523
Grant holdbacks	**(32,801)**	10,392
Deferred contributions	**271,040**	(97,725)
	224,620	(18,230)
INVESTING		
Purchase of term deposits	**(335,000)**	(115,000)
NET DECREASE IN CASH	**(63,491)**	(29,065)
CASH BALANCE		
Beginning of year	**65,978**	95,043
End of year	**$ 2,487**	$ 65,978

See accompanying notes to the financial statements

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*

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. 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 accounting standards for not-for-profit organizations 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

It is management's opinion that the Organization is not exposed to significant credit, currency, interest rate, liquidity, market or price risks arising from its financial instruments.

3. Equipment and Leasehold Improvements

	Cost	Accumulated Amortization	2013 Net Book Value	2012 Net Book Value
Office equipment	**$ 6,574**	**$ 6,574**	**$ -**	$ -
Furniture and fixtures	**29,664**	**18,602**	**11,062**	14,028
Leasehold improvements	**104,258**	**68,573**	**35,685**	46,110
Computer equipment	**3,961**	**3,961**	**-**	827
	$ 144,457	**$ 97,710**	**$ 46,747**	$ 60,965

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 recipient organizations. Accordingly, this account represents the award balances which will be disbursed in the future according to the specified guidelines.

At December 31, the composition of the holdbacks according to award category are as follows:

	2013	2012
Youth WITH ART	**$ 37,825**	35,000
Arts Development	**29,000**	1,000
Project grants	**20,874**	54,550
Individual artist grants	**12,000**	28,200
New Creations grants	**-**	11,500
Audience Development grants	**-**	1,500
Professional Development grants	**-**	750
	$ 99,699	$ 132,500

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 recommendations of juries selected by the Organization.

5. Deferred Contributions (continued)

	2013	2012
Public Art		
Contributions		
City of Winnipeg	**466,400**	467,596
Other	**6,933**	-
Transferred to revenue	**(202,293)**	(494,959)
	271,040	(27,363)
Cultural Capital of Canada		
Contributions	**-**	200,000
Transferred to revenue	**-**	(270,362)
	-	(70,362)
Increase (decrease) during the year	**271,040**	(97,725)
Deferred contributions, beginning of year	**687,978**	785,703
Deferred contributions, end of year	**$ 959,018**	$ 687,978

The following provides a breakdown by project of the unexpended balance:

	2013	2012
Public Art Projects		
Broadway Light-based Sculptures	**$ 292,463**	$ 124,463
St. Vital Duck Pond	**144,800**	-
WITH ART: Community Arts Projects	**144,256**	145,321
Adsum Park	**89,500**	-
Artist in Residence - City Planning	**75,000**	-
Centre Venture Streetscaping	**60,000**	-
Year of Urban Idea	**50,000**	-
Public Art Contingency	**56,639**	56,639
Yellow Ribbon Greenway	**15,000**	-
Public Education and Outreach	**10,279**	-
Community Gardens	**10,187**	13,302
Snow Maze	**9,300**	-
Transcona Performance	**1,040**	4,053
Disraeli Bridge	**554**	34,000
Rapid Transit Corridor	**-**	165,500
Bijou Park	**-**	134,500
Millennium Park Literary Fence	**-**	7,928
Osborne Bridge	**-**	2,272
	$ 959,018	$ 687,978

6. *Transfers*

During the year, the Board of Directors approved the following transfers:

$5,000 (2012 - $100,000) was transferred from unrestricted net assets to internally restricted net assets to be used for future Municipal Arts and Cultural Development programs. Specifically, $5,000 of the current year surplus and $50,000 of the prior year surplus have been designated to the Cultural Capital of Canada Legacy Event.

$10,000 (2012 - $31,603) was transferred from unrestricted net assets to internally restricted net assets to be used for Future Programs.

7. *Commitment*

The Organization has entered into a lease agreement at an annual cost of $35,464. Commencing April 1, 2012, the rent will increase annually by the Consumer Price Index. The lease expires in 2017.

8. *Internally Restricted Net Assets*

	2013	2012
Cash flow assistance	**$ 100,000**	$ 100,000
Future Programs	**84,270**	74,270
Municipal Arts and Cultural Development	**137,024**	132,024
	$ 321,294	$ 306,294

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. Certain of these allocations have been designated to the Cultural Capital of Canada Legacy Event, as detailed in Note 6.

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. *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, 2013, the Organization's cumulative contributions to the Endowment Fund totaled $20,000 (2012 - $20,000) with a cumulative matching grant contribution of $15,000 (2012 - $15,000) from The Winnipeg Foundation. The market value of the Endowment Fund at December 31, 2013 is $46,754 (2012 - $39,309).

WINNIPEG ARTS COUNCIL INC.

SCHEDULE OF EXPENSES

Year ended December 31

	2013	2012
PROGRAM EXPENSES		
Operating grants	**$ 3,107,650**	$ 3,107,650
Project grants	**199,240**	210,000
Individual artist grants	**146,350**	173,000
Professional development grants	**42,000**	53,610
Arts Development	**103,538**	86,895
Youth WITH ART grant	**15,000**	17,500
Jury honoraria and expenses	**16,722**	23,825
Translation services	**3,618**	11,206
Carol Shields Winnipeg Book Award	**6,250**	6,250
	$ 3,640,368	$ 3,689,936
ADMINISTRATIVE EXPENSES		
Board and committee meetings	**$ 6,958**	$ 6,121
Hospitality and promotion	**5,043**	2,664
Professional and consultant fees	**23,762**	22,255
Professional development, membership and conferences	**4,281**	3,946
Rent	**41,886**	41,425
Salaries and benefits	**365,557**	341,505
Supplies and other office expenses	**36,039**	29,566
Telecommunications	**6,414**	6,473
	$ 489,940	$ 453,955
PUBLIC ART EXPENSES		
Administration	**$ 75,006**	$ 74,996
Artists proposal expenses	**115**	1,000
Commission fees	**94,437**	342,000
Consultation	**6,531**	17,539
Jury honoraria and expenses	**1,099**	1,360
Maintenance	**-**	12,651
Public education	**13,541**	13,477
Research, planning and marketing	**11,564**	31,936
	$ 202,293	$ 494,959

See accompanying notes to the financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

December 31

	2013	2012
ASSETS		
Current assets		
Cash	**$ 40,660**	$ 18,976
GST receivable	**891**	696
	$ 41,551	$ 19,672
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	**$ -**	$ 73
NET ASSETS		
Unrestricted	**41,551**	19,599
	$ 41,551	$ 19,672

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF OPERATIONS

Year ended December 31

	2013	2012
REVENUE		
City of Winnipeg operating grant	**$ 79,315**	$ 88,128
Other income	**-**	934
	79,315	89,062
EXPENDITURES		
Administrative	**8,187**	18,215
Development and research	**7,805**	27,565
Foundation donation	**20,000**	20,000
Language and literacy grants	**3,000**	3,000
Promotion, advertising, and community outreach	**8,371**	12,087
Sponsorship	**10,000**	10,000
	57,363	90,867
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**$ 21,952**	$ (1,805)

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2013	2012
Net assets, beginning of year	**$ 19,599**	$ 21,404
Excess (deficiency) of revenue over expenditures	**21,952**	(1,805)
Net assets, end of year	**$ 41,551**	$ 19,599

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF CASH FLOWS

December 31

	2013	2012
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	**$ 21,952**	$ (1,805)
Change in non-cash working capital:		
GST receivable	**(195)**	(345)
Accounts payable and accrued liabilities	**(73)**	(868)
Library Advisory Committees payable	**-**	(513)
Net (decrease) increase in cash flow	**21,684**	(3,531)
CASH, beginning of year	**18,976**	22,507
CASH, end of year	**$ 40,660**	$ 18,976

WINNIPEG PUBLIC LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013

1. Purpose of the Organization:

The Winnipeg Public Library Board (the "organization") was established through the enactment of a City of Winnipeg by-law to provide guidance with respect to improving the City's library system. It is a not-for-profit organization that is exempt from income tax under provisions of the *Income Tax Act* .

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements have been prepared using the following accounting policies:

a) Critical accounting estimates and judgments-

The preparation of financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgements, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Financial instruments

Except for certain related party transactions, financial instruments are measure at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in the difference between revenues and expenses for the period incurred.

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs

b) Financial instruments (continued)

that may incur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures cash and accounts payable and accrued liabilities amortized cost.

The Organization assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in the difference between revenues and expenses.

c) 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 occur. Unrestricted contributions are recognized as revenue of the when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenue is recognized when incurred and when collection can be reasonably assured.

As is common with many not-for-profit organizations, the Organization receives contributions in the form of goods and services. Because of the difficulty of determining their value, contributed goods and services are not recognized in the financial statements.

d) Capital assets

The average annual revenues recognized in the statement of operations for the current and preceding period of the Organization was less than $500,000. Since the organization met criteria for small not-for-profit organizations, it does not record the acquisition of capital assets. These acquisitions are expensed at the date of acquisition. No capital assets were acquired or expensed in the statement of operations (2012 - $nil).

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. Risk management:

Management's risk management policies are typically performed as a part of the overall management of the Organization's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Organization is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As part of the overall operation of the Organization, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

4. Risk management (continued):

Liquidity risk -

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main source of liquidity is its operations, The funds are primarily used to finance working capital requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

Credit risk -

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Organization has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Organization also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded for accounts receivable.

ASSINIBOINE PARK CONSERVANCY INC.

BALANCE SHEET

December 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	**$ 10,030,750**	$ 4,667,758
Accounts receivable	**154,378**	64,722
Government remittances receivable	**251,265**	451,510
Construction advance receivable (Note 4)	**2,189,821**	2,219,279
Inventory	**177,985**	142,971
Prepaid expenses	**350,522**	115,430
	13,154,721	7,661,670
CAPITAL ASSETS (Note 5)	**84,035,016**	61,020,849
ART COLLECTIONS (Note 6)	**13,542,552**	13,542,552
EMPLOYEE BENEFITS RECEIVABLE (Note 7)	**532,525**	515,203
	$ 111,264,814	$ 82,740,274
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 9,017,215**	$ 10,804,231
Deferred contributions - operating (Note 8)	**158,949**	149,188
Notes payable (Note 9)	**13,900,000**	8,975,000
Current portion of long-term debt (Note 10)	**382,000**	-
	23,458,164	19,928,419
DEFERRED CONTRIBUTIONS - OPERATING (Note 8)	**526,386**	507,916
DEFERRED CONTRIBUTIONS - CAPITAL (Note 11)	**71,910,875**	48,592,995
LONG-TERM DEBT (Note 10)	**1,632,244**	-
ACCRUED EMPLOYEE BENEFITS (Note 7)	**301,358**	284,036
	97,829,027	69,313,366
COMMITMENTS (Note 16)		
NET ASSETS		
Restricted (Notes 2(c) and 6)	**13,542,552**	13,467,552
Unrestricted	**(106,765)**	(40,644)
	13,435,787	13,426,908
	$ 111,264,814	$ 82,740,274

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENTS OF OPERATIONS

For the Year ended December 31, 2013

	2013	2012
REVENUE		
City of Winnipeg (Note 12)	**$ 12,207,796**	$ 11,875,493
Other operating grants	**137,333**	172,771
Gifts and sponsorships	**499,178**	477,874
Amortization of deferred contributions	**3,491,725**	2,941,064
Park revenues	**7,460,181**	5,196,003
	23,796,213	20,663,205
Direct costs of park revenues (Note 12)	**5,120,555**	4,448,064
	18,675,658	16,215,141
EXPENSE		
Administration (Notes 9 and 12)	**1,700,596**	1,620,510
Amortization of capital assets	**3,364,825**	2,205,191
Insurance	**148,288**	124,822
Operations (Note 12)	**1,819,238**	1,666,144
Utilities (Note 12)	**966,253**	824,262
Wages, benefits and contract services (Note 12)	**10,667,579**	9,770,630
	18,666,779	16,211,559
EXCESS OF REVENUE OVER EXPENSE	**$ 8,879**	$ 3,582

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENTS OF CHANGES IN NET ASSETS

Year ended December 31, 2013

	Restricted Net Assets	Unrestricted Net Assets	**2013 Total**	2012 Total
Balance, beginning of year	**$ 13,467,552**	**$ (40,644)**	**$ 13,426,908**	$ 13,413,665
Gift of art	**-**	**-**	**-**	9,661
Repayment of long-term debt	**75,000**	**(75,000)**	**-**	-
Excess of revenue over expense	**-**	**8,879**	**8,879**	3,582
Balance, end of year	**$ 13,542,552**	**$ (106,765)**	**$ 13,435,787**	$ 13,426,908

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENTS OF CASH FLOWS

For the Year ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expense	**$ 8,879**	$ 3,582
Items not affecting cash:		
Amortization of capital assets	**3,364,825**	2,205,191
Amortization of deferred contributions	**(3,491,725)**	(2,941,064)
	(118,021)	(732,291)
Changes in non-cash operating working capital items:		
Accounts receivable	**(89,656)**	15,113
Government remittances receivable	**200,245**	(217,377)
Inventory	**(35,014)**	(48,913)
Prepaid expenses	**(235,092)**	(23,209)
Accounts payable and accrued liabilities	**(1,787,016)**	4,507,633
Construction advance receivable	**29,458**	(1,890,825)
Deferred contributions - operating	**28,231**	(111,522)
	(2,006,865)	1,498,609
FINANCING ACTIVITIES		
Deferred contributions - capital	**26,809,605**	20,192,286
Proceeds from notes payable	**5,000,000**	6,000,000
Repayment of notes payable	**(75,000)**	(75,000)
Proceeds from long-term debt	**2,532,586**	-
Repayment of long-term debt	**(518,342)**	-
Change in employee benefits receivable	**(17,322)**	40,919
Change in accrued employee benefits	**17,322**	(40,919)
	33,748,849	26,117,286
INVESTING ACTIVITY		
Acquisition of capital assets	**(26,378,992)**	(28,563,443)
NET (DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS	**5,362,992**	(947,548)
CASH AND SHORT-TERM INVESTMENTS, beginning of year	**4,667,758**	5,615,306
CASH AND SHORT-TERM INVESTMENTS, end of year	**$ 10,030,750**	$ 4,667,758

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 of Winnipeg ("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.

The Conservancy became a registered charity under the Income Tax Act on January 1, 2009 and is exempt from income taxes.

2. *Significant Accounting Policies*

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations 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.

2. *Significant Accounting Policies (continued)*

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.

d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Conservancy subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Conservancy recognizes in net earnings 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

2. Significant Accounting Policies (continued)

event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

e) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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.

3. 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 $3,287,411 (2012 - $1,480,704).

4. Construction Advance Receivable

As of December 31, 2013, the Province of Manitoba has committed $30 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 Animal Holding and Filtration System Building and the Polar Plunge. Under a construction management agreement 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 a result, these capital assets do not appear on the Conservancy's balance sheet.

As at December 31, 2013, the Province advanced the Conservancy $27,810,179 (2012 - $14,635,881) to fund the construction of the IPBCC and the Polar Bear Facilities. As at December 31, 2013, $30,000,000 (2012 - $16,855,160) in costs were incurred on behalf of the Province, resulting in a construction advance receivable of $2,189,821 (2012 - $2,219,279).

In addition, the Province has also committed an additional $4 million in capital grants for the Journey to Churchill, $1 million of which was received in 2010 and $3 million of which will be received in 2014. This $3 million grant was pledged in support of a portion of the cost of Northern Interpretation and the Churchill Townsite, which will also be part of Assiniboine Park Zoo's new exhibit called the Journey to Churchill. Subsequent to year end, $1.5 million of the $3 million grant was received.

The Conservancy and the Province have a long-term Ground Sublease Agreement which provides the Province with a sublease on the land on which the IPBCC and the Polar Bear Facilities will be located within the Park. A third agreement has been signed, which gives the Conservancy responsibility for operating these buildings. 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 has assumed the responsibility of providing insurance for the IPBCC and the Polar Bear Facilities.

5. *Capital Assets*

	2013			2012
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Park facility improvements	**$ 31,828,561**	**$ 2,230,360**	**$ 29,598,201**	$ 21,061,948
Grounds improvements	**7,219,763**	**1,429,310**	**5,790,453**	5,888,716
Park equipment and systems	**10,942,302**	**2,854,490**	**8,087,812**	6,289,543
Moving equipment	**1,045,783**	**202,093**	**843,690**	834,841
Construction in progress	**39,714,860**	**-**	**39,714,860**	26,945,801
	$ 90,751,269	**$ 6,716,253**	**$ 84,035,016**	$ 61,020,849

Included in construction in progress is capitalized interest of $196,158 (2012 - $91,652).

6. *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".

The Conservancy did not purchase any works of art, was not the recipient of any gifted art collections, nor did it dispose of any works of art during the year ending December 31, 2013.

7. *Employee Benefits Receivable and Accrued Employee Benefits*

Under the Lease and Funding Agreement between the Conservancy and the City, the City is responsible for funding all labour costs associated with CUPE 500 members who were previously employed by the City in Assiniboine Park Zoo and the Conservatory. Accordingly, included in the employee benefits receivable is an amount due from the City of Winnipeg of $231,167 (2012 - $231,167) which represents the vacation pay earned by CUPE 500 employees while they were employed by the City of Winnipeg to September 30, 2010. The liability for this accrued vacation pay is included in accounts payable and accrued liabilities.

Under the collective agreements with CUPE 500, 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 $301,358 (2012 - $284,036), 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 insignificant payouts to employees will occur in 2014 and therefore the receivable and liability are both recorded as long-term.

8. *Deferred Contributions - Operating*

The balance in current deferred contributions - operating at December 31, 2013 represents $135,212 (2012 - $107,285) of specially designated funds to be used to offset 2014 operating costs and $23,737 (2012 - $41,903) of funds to be used to offset 2014 costs of conservation and research activities. The balance also includes $526,386 in funds that are be used specifically in maintaining the Leo Mol Sculpture Garden. The Conservancy does not anticipate having to use any of these funds in 2014 and therefore the $526,386 (2012 - $507,916) has been classified as long-term in nature.

9. Notes Payable

The Conservancy signed a commitment letter with a financial institution for a $17 million loan facility for the purpose of bridge financing the construction of the Journey to Churchill. As at December 31, 2013, the Conservancy has drawn $11,000,000 against this facility to finance construction costs and plans to use the remaining amount to substantially complete the Journey to Churchill in 2014. The demand loan is secured with a guarantee signed by the City of Winnipeg and is repayable in full by December 31, 2016. Interest on the loan is at prime less 0.75%.

In 2011, the Province of Manitoba advanced the Conservancy $2,900,000 for the completion of the International Polar Bear Conservation Centre. The advance is secured by a $2,900,000 promissory note bearing interest at prime plus .25%, compounded monthly, with no monthly repayments. The note is repayable on demand on or before December 31, 2014 and is therefore classified on the balance sheet as a current liability. Included in administration expense is interest on the note payable to the Province of $101,017 (2012 - $96,652).

On January 1, 2011, in conjunction with the gifting of the art collections by Pavilion Gallery Museum Inc., the Conservancy assumed responsibility for the repayment of a private loan. The final payment of this loan was made during the year (2012 - balance owning of $75,000).

Required principal repayments over the next three years are as follows:

2014	$ 2,900,000
2015	-
2016	11,000,000

Subsequent to year end, the Conservancy has drawn the remaining $6 million against the $17 million loan facility.

10. Long-Term Debt

During the current year, the Conservancy entered into an agreement with Manitoba Hydro to finance the first phase of the park's underground electrical service which was required as part of the Journey to Churchill project. The loan bears interest at 3.65% and has a 70 month term ending in February 2019. Interest on the loan is payable monthly and an aggregate annual principal repayment ranging from $250,000 to $274,478 is required in January of each fiscal year.

During the current year, APC entered into an agreement with a private company to finance the cost of new trailers acquired to provide administrative offices for Conservancy staff. The loan is interest free and is repayable in monthly payments of $11,000 ending in May 2017.

	2013	2012
Manitoba Hydro loan payable	**$ 1,564,748**	$ -
Private loan payable	**449,496**	-
	2,014,244	-
Less: Current portion	**(382,000)**	-
	$ 1,632,244	$ -

10. Long-Term Debt (continued)

Scheduled principal payments on long-term debt, in each of the next six years are as follows:

2014	$	382,000
2015		382,000
2016		382,000
2017		323,497
2018		270,000
2019		274,748

11. Deferred Contributions - Capital

During the year, the Conservancy received contributions totaling $26,809,605 (2012 - $20,192,286) related to designated capital projects. These restricted contributions are deferred and recognized as revenue on the same basis as the amortization expense related to the designated capital projects.

		2013		2012
Balance, beginning of year	**$**	**48,592,995**	$	31,341,773
Contributions received		**26,809,605**		20,192,286
Amortization of deferred contributions		**(3,491,725)**		(2,941,064)
Balance, end of year	**$**	**71,910,875**	$	48,592,995

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 2013 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.

A summary of the City of Winnipeg account balances and transactions as at and for the year ending December 31, 2013 are noted below.

<u>City of Winnipeg balances</u>

As described in Note 7, as at December 31, 2013, the Conservancy has a long-term receivable of $532,525 (2012 - $515,203) from the City relating to employee benefits for CUPE 500 who were previously employed by the City.

Included in capital assets for the year ending December 31, 2013, are amounts capitalized of $nil (2012 - $160,037) relating to grounds improvements, computers, benches, picnic tables, vehicles 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, 2013, are amounts due to the City of $271,014 (2012 - $137,902).

12. *City of Winnipeg (continued)*

City of Winnipeg transactions

During the year, the Conservancy recognized funding received from the City of Winnipeg into operating revenue as follows:

	2013	2012
2013 funding recognized	**$ 12,207,000**	$ -
2012 funding recognized	**-**	11,867,000
Cash gift	**796**	8,493
	$ 12,207,796	$ 11,875,493

Additionally, during the year, the Conservancy received capital contributions of $15,749,000 (2012 - $13,323,000) from the City of Winnipeg. These amounts have been included as deferred contributions - capital, on the balance sheet, and are recognized into revenue 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 $15,831 (2012 - $15,002).

Included in administration expense are licenses, land lease and human resource costs paid to the City of $7,908 (2012 - $6,424). Included in operations expense are waste disposal, horticulture, maintenance and fleet costs paid to the City of $69,742 (2012 - $96,935). Included in utilities expense are water costs paid to the City of $192,981 (2012 - $278,716). Included in wages, benefits and contract services are contract services under service level agreements with Public Works and Municipal Accommodations of $nil (2012 - $15,080).

13. *Endowments Held by the Winnipeg Foundation*

The Conservancy is the beneficiary of five endowment funds, held and controlled by the Winnipeg Foundation, as of December 31, 2013. 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.

The market value of the Funds held by Conservancy in the Winnipeg Foundation at December 31 are as follows:

	2013	2012
Lyric Program Fund	**$ 76,379**	$ 67,265
Assiniboine Park Bandshell Inc. Fund	**254,208**	222,518
Assiniboine Park Zoo Endowment Fund	**19,059**	16,679
Leo Mol Sculpture Garden Fun	**184,040**	154,955
Assiniboine Park Conservancy Fund	**24,699**	12,588
	$ 558,385	$ 474,005

The purpose of the Lyric Program Fund and the Assiniboine Park Bandshell Inc. Funds is to provide income to support the operation and ongoing maintenance of the Lyric Theatre. The purpose of the Assiniboine Park Zoo Endowment Fund is to provide income to support the operation and on-going maintenance of Assiniboine Park Zoo. The purpose of the Leo Mol Sculpture garden Fund is to upkeep, maintain and sustain the Leo Mol Sculpture Garden located within the Assiniboine Park. The Assiniboine

13. Endowments Held by the Winnipeg Foundation (continued)

Park Conservancy Fund is designated as a general fund to be used at the discretion of the Board of Directors of the Conservancy.

During the year, the Winnipeg Foundation distributed $12,658 (2012 - $10,477) in income to the Conservancy from these Funds.

14. 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.

15. Non-Monetary Transactions

During the year, the Conservancy received amounts for operating purposes of $53,825 (2012 - $22,376) without consideration. The Conservancy also received goods and services without consideration which were capitalized as capital assets of $50,000 (2012 - $nil) and capitalized as art collections of $nil (2012 - $9,661).

The transactions were recorded at the fair value of the goods or services received.

16. Commitments

The Conservancy has numerous capital contractual agreements with companies to construct 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, 2013 is $15,638,373. These amounts are to be paid over the construction period of the projects expected to be ready for use in future years.

2 0 1 3 O T H E R

D E T A I L E D F I N A N C I A L S T A T E M E N T S

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 2013 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported a net loss of $3,001,000 for the year ended December 31, 2013 and a balance of deficit in the amount of $9,404,000 as at December 31, 2013.

The rates of interest earned by the Fund for the years 2004 to 2013 are shown below:

2004	6.27%	2009	4.39%
2005	5.55%	2010	3.81%
2006	5.41%	2011	3.41%
2007	5.46%	2012	2.95%
2008	5.15%	2013	3.30%

Changes in the sinking fund reserve during 2013 are summarized as follows. The total reserve for retirement of debenture debt decreased to $288,065,000 as at December 31, 2013 (2012 - $370,194,000) of which $107,000,000 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
(in thousands of dollars)

	December 31 2013	December 31 2012
ASSETS		
Cash and short-term investments (Note 3)	**$ 61,793**	$ 43,272
Accrued interest receivable	**3,867**	4,707
Investment in bonds and debentures (Schedule 1)	**215,337**	318,515
	$ 280,997	$ 366,494
LIABILITIES, RESERVE AND SURPLUS		
Accrued interest payable (Note 5)	**2,321**	2,688
Accrued liabilities	**15**	15
	2,336	2,703
Reserve for retirement of debenture debt (Note 6)	**288,065**	370,194
(Deficit) (Note 9)	**(9,404)**	(6,403)
	$ 280,997	$ 366,494

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)

	2013	2012
Interest income (Schedule 2)	**$ 12,727**	$ 15,173
Interest requirements - debenture debt reserves	**(9,010)**	(11,951)
Interest requirements - Manitoba Hydro bonds (Note 8)	**(7,186)**	(8,023)
(Deficit) of interest earned under requirements	**(3,469)**	(4,801)
Net gain on disposal of investments	**593**	758
	(2,876)	(4,043)
Administration expenses	**125**	133
Net loss for the year	**$ (3,001)**	$ (4,176)

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)

	2013	2012
Balance, beginning of year	**$ (6,403)**	$ (2,227)
Less:		
Net loss for the year	**(3,001)**	(4,176)
Balance, end of year (Note 9)	**$ (9,404)**	$ (6,403)

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)

	2013	2012
Balance, beginning of year	**$ 370,194**	$ 349,382
Add:		
Installments - City of Winnipeg (Note 8)	**8,861**	8,861
Interest credited - debenture debt reserves	**9,010**	11,951
	388,065	370,194
Deduct:		
Applied to debt redemption (Note 6)	**100,000**	-
Balance, end of year	**$ 288,065**	$ 370,194

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)

	2013	2012
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss	**$ (3,001)**	$ (4,176)
Income accrued - bond residues and coupons	**(311)**	(468)
Net bond premium amortization	**1,341**	3,324
Interest requirements - debenture debt reserves	**9,010**	11,951
Net gain on disposal of investments	**(593)**	(758)
Change in non-cash operating accounts	**473**	114
	6,919	9,987
FINANCING ACTIVITIES		
Applied to debt redemption (Note 6)	**(100,000)**	-
Installments - City of Winnipeg (Note 8)	**8,861**	8,861
	(91,139)	8,861
INVESTING ACTIVITIES		
Acquisition of investments in bonds and debentures	**(46,546)**	(19,236)
Proceeds from bond and debenture sales	**15,576**	15,078
Proceeds from bond and debenture maturities	**133,711**	26,085
	102,741	21,927
Increase (Decrease) in cash and short-term investments	**18,521**	40,775
Cash and short-term investments, beginning of period	**43,272**	2,497
Cash and short-term investments, end of period	**$ 61,793**	$ 43,272
Cash and short-term investments consists of:		
Cash	**$ 4,305**	$ 718
Short-term investments	**57,488**	42,554
	$ 61,793	$ 43,272

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, 2013
(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 continue 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.

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. Cash and Short-Term Investments

Cash is held on deposit with a major Canadian Chartered Bank.

Short-term investments represent short-term debt securities of Schedule 1 Canadian Chartered Banks with a term to maturity of less than one year.

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, 2013 was 3.30% (2012 - 2.95%).

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2013 are as follows:

	2013		2012	
Term To Maturity	**Par Value**	**Book Value**	Par Value	Book Value
Less than one year	$ 80,732	$ 81,104	$ 132,459	$ 132,758
Two to five years	72,423	74,233	125,291	125,757
Greater than five years	60,000	60,000	60,000	60,000
	$ 213,155	$ 215,337	$ 317,750	$ 318,515

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, 2013 the Fund's maximum credit risk exposure at fair market value was $277,805 (2012 - $370,249).

The Fund limits credit risk by investing in short-term investments and 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.

5. Purchase of Winnipeg Hydro by Manitoba Hydro

Manitoba Hydro purchased Winnipeg Hydro from The City of Winnipeg on September 3, 2002. In accordance with the Asset Purchase Agreement between The City of Winnipeg and Manitoba Hydro and The Purchase of Winnipeg Hydro Act, a statute of the Legislature of the Province of Manitoba, the Sinking Fund is required to :

a) Hold the Manitoba Hydro Electric Board bonds issued by Manitoba Hydro to the City in connection with the Winnipeg Hydro portion of the City's debt. The bonds were issued for the purpose of enabling the City to repay the Winnipeg Hydro portion of the City's debt, and were issued with identical terms and conditions as to par value, interest and date of maturity as the Winnipeg Hydro portion of the City's debt. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity.

The book value of the Manitoba Hydro Electric Board bonds as at December 31, 2013 amounted to $107,000 (2012 - $117,000).

5. 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 $2,321 at December 31, 2013 (2012 - $2,688).

As the receipt of the Manitoba Hydro bonds represents full funding of all future Sinking Fund installments and interest related to the Winnipeg Hydro portion of the City's Sinking Fund debt, no further amounts are required to be levied and contributed to the Sinking Fund in respect of this portion of the debt.

6. Reserve for Retirement of Debenture Debt

Amounts applied to debt redemption on the statement for retirement of debenture debt are as follows :

	Hydro Portion	Other Purposes	Total
Sinking Fund Debt :			
By-law 6090/93	$ 10,000	$ 90,000	$ 100,000

As at December 31, 2013 the reserve for retirement of debenture debt is allocated towards Sinking Fund debentures as follows:

Maturity Year	Amortized Cost			Maturity Value
	Hydro Portion	Other Purposes	Total	
2014	$ 15,000	$ 82,214	$ 97,214	$ 100,000
2015	12,000	77,260	89,260	100,000
2017	20,000	21,591	41,591	50,000
2029	60,000	-	60,000	60,000
	$ 107,000	$ 181,065	$ 288,065	$ 310,000

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, 2013, the reserve for retirement of debenture debt includes $107,000 (2012 - $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.

7. 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 and 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.

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 $2,171 Par Value City of Winnipeg 8.0% debentures due January 20, 2014 at a price of $106.31 and effective yield of 1.476% on January 28, 2013 and $13,656 Par Value City of Winnipeg 9.125% debentures due May 12, 2015 at a price of $111.00 and effective yield of 1.295% on December 10, 2013. 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, 2013, 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 (2012 - $8,861) in levies to the Fund at the amounts prescribed by the applicable Sinking Fund debenture By-laws.

The City of Winnipeg paid $1,037 (2012 - $1,801) 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 $7,554 (2012 - $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 $100 (2012 - $108) 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
(in thousands of dollars)

	December 31 2013					December 31 2012	
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Book Value	%
Investment in bonds and debentures							
Government of Canada and Government of Canada guaranteed	**$ 5,358**	**$ 5,535**	**3**	**$ 5,487**	**3**	$ 5,625	2
Provincial and Provincial guaranteed (Notes 5 and 6)	**125,307**	**126,028**	**58**	**125,627**	**58**	220,599	69
Municipal	**35,672**	**36,568**	**17**	**35,962**	**17**	49,595	16
City of Winnipeg	**16,531**	**17,972**	**8**	**18,006**	**8**	19,943	6
Corporates	**16,987**	**17,123**	**8**	**17,112**	**8**	-	-
	$ 199,855	**203,226**	**94**	**202,194**	**94**	295,762	93
Bond residues and coupons							
Provincial		**13,224**	**6**	**13,143**	**6**	22,753	7
		$ 216,450	**100**	**$ 215,337**	**100**	$ 318,515	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)

	2013	2012
Interest on bonds and debentures	**$ 13,334**	$ 17,995
Income accrued - bond residues and coupons	**311**	468
Bank and short-term investments interest	**412**	14
Securities lending income	**11**	20
Net bond (premium) discount amortization	**(1,341)**	(3,324)
	$ 12,727	$ 15,173

PHOTO: AJ Batac

THE CITY OF WINNIPEG
SINKING FUND

STATEMENT OF FINANCIAL POSITION

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

		2013		2012
ASSETS				
Investment in bonds and debentures (Schedule 1)	**$**	**35,283**	$	13,966
Call loans - General Revenue Fund (Note 3)		**796**		3,458
Accrued interest receivable		**304**		188
	$	**36,383**	$	17,612
LIABILITIES				
Premium on Long Term Debt (Note 5)	**$**	**12,429**	$	-
RESERVE				
Reserve for retirement of debenture debt		**23,954**		17,612
	$	**36,383**	$	17,612

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)

	2013	2012
Balance, beginning of year	**$ 17,612**	$ 12,477
Add:		
Installments - Waterworks System	**2,836**	2,836
Installments - Transit System	**1,205**	1,205
Installments - General Revenue Fund	**1,013**	189
Interest income (Schedule 2)	**800**	658
Installments - Municipal Accommodations	**408**	-
Gain on sale of assets	**142**	292
	24,016	17,657
Deduct:		
Transfer to General Revenue Fund - investment management fees	**62**	45
Balance, end of year	**$ 23,954**	$ 17,612

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SINKING FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(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, 2013 was 4.5% (2012 - 3.8%).

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, 2013 are as follows:

Term To Maturity	**Par Value**	**Book Value**
Greater than five years	$ 33,854	$ 35,283

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, 2013 the Fund's maximum credit risk exposure at fair market value was $35,359 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.

5. *Debt*

Included in the Statement of Financial Position is a premium on long term debt issued in 2012 offset by investments that will be used for making semi-annual debt service payments on the sinking fund debentures.

THE CITY OF WINNIPEG
SINKING FUND

Schedule 1

SCHEDULE OF INVESTMENTS

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

	2013					2012	
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Book Value	%
Investment in bonds and debentures							
Other Municipalities	**$ 24,773**	**$ 24,281**	**71**	**$ 25,788**	**73**	$ 8,273	59
City of Winnipeg	**9,081**	**9,979**	**29**	**9,495**	**27**	4,739	34
Provincial and Provincial guaranteed	**-**	**-**	**-**	**-**	**-**	954	7
	$ 33,854	**$ 34,260**	**100**	**$ 35,283**	**100**	$ 13,966	100

THE CITY OF WINNIPEG
SINKING FUND

Schedule 2

SCHEDULE OF INTEREST INCOME

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

	2013	2012
Interest on bonds and debentures	**$ 786**	$ 645
Call fund interest	**14**	13
	$ 800	$ 658

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31

	2013	2012
ASSETS		
Current		
Cash	**$ 1,109,020**	$ 436,925
Restricted cash (Note 6)	**297**	47,654
Short term investments	**14,878,285**	12,536,193
Trade and other receivables (Note 7)	**647,096**	1,220,453
Prepaids and other	**232,682**	332,147
Investment held for sale (Note 8)	**-**	1,400,000
Current portion of tenant receivables	**5,922**	6,761
	16,873,302	15,980,133
Long term tenant receivables	**29,695**	34,499
Property, plant and equipment (Notes 9, 13 and 14)	**14,999,722**	16,097,290
Investment in properties and infrastructure enhancements (Note 10)	**56,247,883**	59,073,494
Deferred charges	**12,500**	86,968
	$ 88,163,102	$ 91,272,384
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	**$ 2,723,214**	$ 1,815,146
Funds held in trust	**250,876**	231,076
Current portion of mortgage payable (Note 12)	**343,235**	328,745
Current portion of obligation under finance lease (Note 13)	**222,508**	163,349
	3,539,833	2,538,316
Loans payable (Note 14)	**-**	1,711,636
Prepaid land rents	**615,381**	623,468
Deferred revenue	**146,737**	221,640
Deferred contributions from shareholders	**15,961,496**	17,178,574
Long term mortgage payable (Note 12)	**11,355,212**	11,773,519
Obligation under finance lease (Note 13)	**2,382**	221,767
	31,621,041	34,268,920
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized		
Unlimited number of common shares		
Issued		
3 common shares	**3**	3
NET EQUITY	**56,542,058**	57,003,461
	56,542,061	57,003,464
	$ 88,163,102	$ 91,272,384

See accompanying notes to the consolidated financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31

	2013	2012
REVENUE:		
Rental and parking income	**$ 5,485,198**	$ 5,455,663
The Forks Market	**2,092,193**	2,022,207
Theatre	**651,728**	624,113
Lease	**1,286,532**	1,303,030
Events, sponsorship, grants and recoveries	**824,530**	1,092,243
Investment	**315,192**	358,168
Miscellaneous	**67,524**	118,578
Recovery of prior years' expenses	**102,964**	101,413
	10,825,861	11,075,415
EXPENSES:		
General and administrative	**1,389,511**	1,380,888
Rental and parking	**2,447,980**	2,465,534
The Forks Market	**1,851,329**	1,702,145
Theatre	**841,512**	951,943
The Forks Site and events	**1,881,518**	1,935,349
Planning and development	**295,779**	498,522
Marketing costs	**456,100**	443,852
Investment costs	**78,735**	58,552
Miscellaneous	**39,270**	35,516
	9,281,734	9,472,301
OPERATING INCOME BEFORE THE FOLLOWING	**1,544,127**	1,603,114
Interest expense	**(691,268)**	(718,201)
INCOME BEFORE AMORTIZATION	**852,859**	884,913
Amortization	**(2,531,656)**	(2,381,065)
LOSS BEFORE THE FOLLOWING	**(1,678,797)**	(1,496,152)
Amortization of deferred contributions from shareholders	**1,217,077**	1,200,812
Unrealized and realized gains	**425,727**	141,675
Loss on sale of capital assets	**(314,016)**	-
Donations	**(425,000)**	(350,000)
Write-down of loan receivable	**-**	(109,500)
Debt forgiveness (Note 14)	**1,711,637**	-
Net income (loss) before discontinued operations	**936,628**	(613,165)
Discontinued operations (Note 22)	**(1,398,031)**	-
NET LOSS	**$ (461,403)**	$ (613,165)

See accompanying notes to the consolidated financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2013

	Share Capital	Donated Land	Contributed Surplus	Retained Earnings	2013 Total	2012 Total
Balance, beginning of year	**$ 3**	**$ 8,000,000**	**$ 39,310,266**	**$ 9,693,195**	**$ 57,003,464**	$ 57,616,629
Net loss	**-**	**-**	**-**	**(461,403)**	**(461,403)**	(613,165)
Balance, end of year	**$ 3**	**$ 8,000,000**	**$ 39,310,266**	**$ 9,231,792**	**$ 56,542,061**	$ 57,003,464

See accompanying notes to the consolidated financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	2013	2012
Increase (decrease) in cash		
OPERATING		
Net loss	**$ (461,403)**	$ (613,165)
Adjustments for:		
Amortization	**2,531,656**	2,381,065
Amortization of deferred contributions	**(1,217,077)**	(1,200,812)
Debt forgiveness	**(1,711,637)**	-
Loss on sale of capital assets	**314,016**	-
	(544,445)	567,088
Net changes in working capital balances		
Trade and other receivables	**573,357**	(366,353)
Prepaids and other	**99,465**	25,351
Accounts payable and accrued liabilities	**908,068**	422,341
Restricted cash	**47,357**	663
Funds held in trust	**19,800**	(14,016)
	1,103,602	635,074
FINANCING		
Deferred charges	**74,468**	25,532
Prepaid land rents	**(8,087)**	(8,087)
Deferred revenue	**(74,903)**	55,890
Deferred contributions received	**-**	517,621
Repayment of mortgage payable	**(403,817)**	(304,454)
Repayment of obligation under finance lease	**(160,226)**	(154,963)
	(572,565)	131,539
INVESTING		
Purchase of property and equipment	**(1,061,453)**	(977,916)
Proceeds from disposal of capital assets	**2,138,960**	-
Proceeds from investments held for sale	**1,400,000**	-
Short term investments	**(2,342,092)**	354,555
Tenant receivables advanced	**5,643**	(41,260)
	141,058	(664,621)
Net increase in cash	**672,095**	101,992
CASH, beginning of year	**436,925**	334,933
CASH, end of year	**$ 1,109,020**	$ 436,925

See accompanying notes to the consolidated financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

1. Nature of Operations

Mission

The mission of the organization 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, 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.

Corporation 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 of Winnipeg, Canada. 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 Winnipeg, Canada, and operates The Forks Market.

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, Winnipeg, Canada.

3898211 Manitoba Ltd., a subsidiary of NPTC, was incorporated under the Corporations Act of Manitoba on September 16, 1998 and operated the IMAX Theatre at Portage Place, Winnipeg, Canada.

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, Canada including The Forks.

The Corporation is not subject to tax under provision 149(1)(d) of the Income Tax Act.

2. *Basis of Presentation*

These financial statements are prepared on a going concern basis, under the historical cost model except for certain financial instruments that are measured at revalued amounts or fair values.

Basis of Consolidation

The financial statements of the Corporation include the financial statements of the Corporation and those of The Forks Renewal Corporation, FNP Parking Inc., 3898211 Manitoba Ltd. and North Portage Theatre Corporation, all of which are controlled by the Corporation.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation.

All intra-corporation transactions, balances, income and expenses are eliminated on consolidation.

Statement of Compliance

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies in Note 3 have been applied consistently in all material respects.

3. *Summary of Significant Accounting Policies*

Cash

Cash includes cash on hand and balances with banks, net of any outstanding cheques.

Investment in Subsidiaries

The Corporation determines whether it is a parent by assessing whether it controls an investee. The Corporation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rental and Parking Income

Rental income (including The Forks Market revenue) and monthly parking income is recognized in the period in which the rental agreement relates. Casual parking income is recognized at the time payment is received from the customer.

Theatre Income

Revenue from the theatre is recognized when the service is provided.

Investment Income

Investment income is recognized over the passage of time using the effective interest method.

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

Events, Sponsorship, Grants and Recoveries

Events, sponsorship, government grants and recoveries are recognized in the period in which the related event occurs.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Corporation as Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

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 passage of time for which the amount is received.

Deferred charges

Deferred charges consist of prepaid building rent. The amounts are being amortized over 10 years.

The Corporation as Lessee

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as an obligation under finance lease. Lease payments are allocated between interest expense and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized immediately in comprehensive income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that inducements to enter into operating leases are received, such inducements are recognized as a liability at the outset of the lease. The benefit is recognized as a reduction of rental expense on a straight-line basis over the life of the lease.

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

Foreign Currencies

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's presentation currency.

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in comprehensive income in the period in which they arise.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

Government Contributions

Government grants are recognized when there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in comprehensive income on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to comprehensive income over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in comprehensive income in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Property, Plant and Equipment

Items of property and equipment are recorded at cost and amortized over their estimated useful lives.

The estimated useful lives, residual values and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Amortization is calculated at the following rates:

Buildings	20-40 years
Building improvements	10-20 years
Equipment and computers	3-10 years
Equipment under finance lease	5 years

Investment Property

Investment properties are measured at cost, including transaction costs of acquisition, less accumulated amortization and accumulated impairment losses.

Amortization is calculated at the following rates:

Buildings	20-40 years
Infrastructure enhancements	40 years

Impairment of Tangible Assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

Debt

All mortgage loans are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest method. Transaction fees, costs, discounts and premiums directly related to the loans and borrowings are recognized in the statement of income and comprehensive income over the expected life of the borrowing. Interest payable is recognized on an accrual basis. Principal payments on mortgage loans due more than twelve months from the date of the balance sheet are classified as non-current liabilities.

3. Summary of Significant Accounting Policies (continued)

Provisions

The amount recognized as a provision (if any) is the present value of the best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

Financial Assets

Purchase and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Corporation. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Corporation has transferred substantially all the risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include "trade and other receivables" and "long term tenant receivables". They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Short Term Investments

Short term investments consist of GICs, short term investments and active market equities. Investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes recognized in comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized are included in the statement of comprehensive income.

Impairment of Financial Assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and recognized in the statement of comprehensive income.

Financial Liabilities:

Financial liabilities (including borrowings) are measured at amortized cost using the effective interest method.

In these financial statements accounts payable and accrued liabilities and long term debt have been classified as other financial liabilities.

3. Summary of Significant Accounting Policies (continued)

Derecognition of Financial Liabilities

The Corporation derecognizes financial liabilities when the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in comprehensive income.

Determination of Fair Values

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the method noted below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash, short term investments, trade and other receivables, trade and other payables: The fair value of cash, short term investments, trade and other receivables, trade and other payables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect of discounting is material.

Future Changes to Significant Accounting Policies

The IASB is working towards continual improvement through the development of new accounting standards and the annual improvements process. The IASB will issue a number of exposure drafts of new or revised standards over the next several years. The Corporation monitors the IASB work plans and publication to address any developments that may impact the organization.

The IASB published IFRS 9 - replaces IAS 39 - Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

The Corporation is currently evaluating the impact of these standards on its financial statements.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Corporation's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the report date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected.

Judgments Other Than Estimates

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

4. *Significant Accounting Judgments, Estimates and Assumptions (continued)*

Operating and Finance Leases

The Corporation has entered into various lease agreements. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer and retention of significant risks and rewards of ownership of the properties covered by the agreements.

Estimates

Useful Lives of Property, Plant and Equipment and Investment Property

The Corporation estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimate useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property, plant and equipment and investment property are analyzed in Notes 9 and 10. Based on management's assessment as at March 31, 2013, there is no change in useful life during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Discontinued Operations

The Corporation estimated the potential future costs associated with the closing of the Imax Theatre at Portage Place, Winnipeg, Canada.

5. *Financial Instruments*

IFRS 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 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.

As at March 31, 2013:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash	$ 1,109,020	$ -	$ -	$ 1,109,020
Restricted cash	297	-	-	297
Short term investments	14,878,285	-	-	14,878,285
Accounts receivable	-	-	647,096	647,096

5. *Financial Instruments (continued)*

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, 2013 is $682,713 (2012 - $1,261,713).

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, accounts payable and accrued liabilities and funds held in trust approximates their fair values due to the immediate or short term nature maturity of these instruments.

The carrying value of short term investments is valued based upon the market to market basis of accounting for investment values using quoted prices of the individual investments in an active market.

The carrying value of 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 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.

Currency Risk

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

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 risk 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.

Market Risk

Market risk is the risk that changes in market prices, interest rates and foreign exchange rate, 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 comprehensive income and net equity.

6. *Restricted Cash*

Restricted cash consists of cash held in trust by the Corporation for the Weather Protected Walkway System expansion in downtown Winnipeg. The Corporation is managing the accounting and cash disbursement aspect of this project. The liability, in the same amount as the asset, is included in accounts payable and accrued liabilities.

7. *Trade and Other Receivables*

	2013	2012
Trade receivables	**$ 546,356**	$ 571,701
Allowance for doubtful debts	**82,900**	76,065
Net trade receivables	**463,456**	495,636
Government remittances	**2,413**	31,177
Other receivables	**181,227**	693,640
	$ 647,096	$ 1,220,453

The credit period on sale of goods and services is 30 days. The Corporation has recognized an allowance for doubtful debts against all receivables over 120 days because experience has shown that those amounts are not recoverable. Allowances for doubtful debts are recognized against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience.

Aging of receivables that are past due but not impaired

	2013	2012
31-60 days	**$ 64,458**	$ 285,443
61-90 days	**174,864**	21,319
91+ days	**203,920**	226,104
Total	**$ 443,242**	$ 532,866

Changes in the allowance for doubtful debts

	2013	2012
Balance at beginning of the year	**$ 76,065**	$ 45,636
Impairment losses recognized on receivables	**63,192**	41,865
Amounts written off during the year as uncollectible	**(57,020)**	(1,436)
Amounts recovered during the year	**663**	(10,000)
Balance at end of the year	**$ 82,900**	$ 76,065

In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

8. *Investment Held for Sale*

On January 8, 2010, the Corporation entered into an agreement with CentreVenture Inc. (a separate entity owned by the City of Winnipeg) to purchase 311 Portage Avenue and to jointly market it with the property at 315 Portage Avenue.

The Corporation contributed $1,000,000 in cash and the property at 315 Portage Avenue, valued by management to be $400,000.

During the year, the properties at 311 and 315 Portage Avenue were sold to a third party for $2,800,000, with the Corporation being entitled to one-half of the net proceeds, being equal to the asset's carrying amount of $1,400,000.

9. *Property, Plant and Equipment*

	2013	2012
Land	**$ 9,058,281**	$ 9,058,281
Property under construction	**116,512**	90,964
Plant and equipment	**5,505,725**	6,000,107
Equipment under finance lease	**319,204**	947,938
Carrying amounts	**$ 14,999,722**	$ 16,097,290

For additional information, see the Consolidated Schedule of Property, Plant and Equipment (Schedule 1).

10. *Investment in Properties and Infrastructure Enhancements*

	2013	2012
Land	**$ 26,854,274**	$ 28,593,084
Building	**13,734,249**	9,324,763
Property under construction	**243,161**	4,939,520
Infrastructure enhancements	**15,416,199**	16,216,127
Carrying amounts	**$ 56,247,883**	$ 59,073,494

For additional information, see the Consolidated Schedule of Investment in Properties and Infrastructure Enhancements (Schedule 2).

All of the Corporation's investment property is held under freehold interests.

The fair market values of the Corporation's investment properties are not readily determinable with any level of precision. Further, due to the public nature of the properties, any valuation attributable would have significant uncertainty regarding the ultimate realization of the properties. As a result no disclosures regarding the fair values of the properties are included in these statements.

11. Accounts Payable and Accrued Liabilities

	2013	2012
Trade payables	**$ 828,044**	$ 405,865
Accruals	**1,737,189**	1,272,425
Current deferred revenue	**157,981**	136,856
	$ 2,723,214	$ 1,815,146

The average credit period on purchases is 30 days. The Corporation has financial risk management policies in place to ensure that all payables are paid within the credit terms.

12. Long Term Debt

	2013	2012
Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of $82,940. The loan matures on August 1, 2032 and is secured by a general security agreement together with a first charge on the following lease agreements: Cityscape Residence Corp., The Kiwanis Club of Winnipeg Seniors Building Inc., Fred Douglas Place Ltd. and Portage Place Centre Inc.	**$ 11,753,264**	$ 12,153,617
Unamortized transaction costs	**(74,481)**	(78,268)
	11,678,783	12,075,349
Farm Credit Canada loan bearing interest at 6% per annum, repayable in monthly blended payments of $605. The loan matures on September 1, 2015 and is unsecured.	**19,664**	26,915
	11,698,447	12,102,264
Less: current portion		
Mortgage loans	**(347,035)**	(332,545)
Transaction costs	**3,800**	3,800
	$ 11,355,212	$ 11,773,519

Principal repayment terms are approximately:

2014	$ 367,735
2015	384,981
2016	403,436
2017	426,801

13. *Obligation Under Finance Lease*

Leasing Arrangements:

The Corporation leases certain of its equipment under finance leases. The average lease term is 6.5 years (2012 - 6.5 years). The Corporation has options to purchase the equipment for a nominal amount at the end of the lease terms. The Corporation's finance leases are secured by the lessors' title to the leased assets.

Finance Lease Liabilities:

	Minimum Lease Payments	
	2013	2012
Not later than one year	**$ 87,461**	$ 186,693
Later than one year and not later than five years	**2,358**	247,243
Less: future finance charges	**(3,446)**	(34,981)
Present value of minimum lease payments	**$ 86,373**	$ 398,955
Included in the consolidated financial statements as:		
- current portion	**$ 222,508**	$ 163,349
- long term portion	**2,382**	221,767
	$ 224,890	$ 385,116

14. *Government Contributions*

	2013	2012
Amounts included in deferred contributions	**$ 15,961,496**	$ 16,660,953
Contributions received in the year	**-**	517,621
Amounts recognized in income in prior years	**66,461,941**	66,311,941
Annual amortization of deferred contributions	**1,217,077**	1,200,812
Amounts recognized in income in the current year	**-**	150,000
Donated land	**8,000,000**	8,000,000
Contributed surplus	**39,310,266**	39,310,266
	$ 130,950,780	$ 132,151,593

North Portage Theatre Corporation (NPTC) received a repayable loan from Manitoba Development Corporation in the amount of $1,800,000. The loan bears interest at 10% per annum after demand. The loan 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 $88,363 (2012 - $88,363). During the year, Manitoba Development Corporation forgave the remaining balance of the loan.

15. Share Capital

Authorized:
Unlimited common shares

	2013	2012
Issued and fully paid:		
3 Common shares	**$ 3**	$ 3

16. Donated Land

The Company 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:

	Government of Canada	City of Winnipeg	From Core Area Initiative	Total
Acres	49	3.9	3	55.9

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 Corporation 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 are 49.95 acres.

17. Finance Costs

	2013	2012
Continuing operations:		
Interest on mortgage payable	**$ 671,680**	$ 689,824
Interest on obligations under finance leases	**19,588**	28,377
	$ 691,268	$ 718,201

The corporation was a beneficiary of an interest free loan in the amount of approximately $1.7 million, the benefit of which is not reflected in these statements. During the year the loan was forgiven. If interest was considered at prime rate, the benefit would approximate $50,000 (2012 - $50,000) per annum.

18. Operating Lease Arrangements

The Corporation as Lessee:

Leasing arrangements:

Operating leases relate to leases of land with lease terms of between 5 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Corporation does not have an option to purchase the leased land at the expiry of the lease periods.

	2013	2012
Payments recognized:		
Minimum lease payments	**$ 109,111**	$ 167,567
Sub-lease payments received	**238,483**	275,297

18. Operating Lease Arrangements (continued)

The Corporation as Lessor:

Leasing arrangements:

Operating leases relate to the investment property owned by the Corporation with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

19. Commitments

The Corporation has an obligation to operate the Imax Theatre at Portage Place for a 50 year period, ending in 2035. Annual losses from the theatre have ranged from $300,000 - $500,000 in recent years.

FRC has leased parking, storage and an office site at The Forks to December 2016. 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.

20. Related Party Transactions

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

Compensation of Key Management Personnel:

The remuneration of key management personnel during the year was as follows:

	2013	2012
Wages and other short-term benefits	**$ 743,467**	$ 742,293

Government Related Entity:

NPDC has elected to apply the exemption regarding the disclosure of transactions and outstanding balances with government related entities.

21. Management of Capital

The Corporation's capital consists of contributed surplus and donated land equity. Donated land was recorded at fair value, as approved by the Board of Corporation in FRC, in 1989.

The capital structure of the Corporation is comprised of the following:

		2013		2012
Total debt and deferred shareholder contributions	**$**	**27,884,833**	$	31,377,590
Capital stock		**3**		3
Net equity		**56,542,058**		57,003,461
	$	**84,426,894**	$	88,381,054

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 budget each year, allocating expenses to revenue they expect to earn and funding it expects to receive.

The Corporation monitors capital from time-to-time using a variety of measures which are applicable to its industry. Monitoring procedures are typically performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Corporation to reduce the cost of capital. 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.

22. Discontinued Operations

As at March 31, the corporation ceased the operations of the IMAX Theatre at Portage Place, Winnipeg, Canada resulting in a loss of $1,398,031 inclusive of the present value of managements' estimate of future costs to settle all obligations.

23. Comparative Figures

Certain of the prior year comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

24. Approval of the Financial Statements

The financial statements were approved by the Board of the Corporation and authorized for issue on June 20, 2013.

NORTH PORTAGE DEVELOPMENT CORPORATION
CONSOLIDATED SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

Schedule 1

	Land	Property under Construction	Plant and Equipment	Equipment Under Finance Lease	Total
Cost					
Balance March 31, 2012	$ 9,058,281	$ 90,964	$ 23,759,043	$ 2,145,401	$ 35,053,689
Additions	-	196,632	584,213	9,278	790,123
Write-off	-	-	(762,819)	(1,512,030)	(2,274,849)
Disposals	-	-	(14,611)	-	(14,611)
Transfer to plant and equipment	-	(171,084)	-	-	(171,084)
Balance March 31, 2013	9,058,281	116,512	23,565,826	642,649	33,383,268
Accumulated amortization					
Balance March 31, 2012	-	-	17,758,936	1,197,463	18,956,399
Elimination on disposal of assets	-	-	(825)	-	(825)
Amortization	-	-	828,196	214,980	1,043,176
Write-off	-	-	(526,206)	(1,088,998)	(1,615,204)
Balance March 31, 2013	-	-	18,060,101	323,445	18,383,546
Carrying amounts	$ 9,058,281	$ 116,512	$ 5,505,725	$ 319,204	$ 14,999,722

NORTH PORTAGE DEVELOPMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENT
IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

Schedule 2

	Land	Building	Property under Construction	Infrastructure Enhancements	Total
Cost					
Balance March 31, 2012	$ 29,124,578	$ 15,037,783	$ 4,939,520	$ 55,094,916	$ 104,196,797
Additions	-	102,174	209,773	139,245	451,192
Transfer to buildings	-	4,906,132	(4,906,132)	-	-
Disposals	(1,738,810)	(98,837)	-	-	(1,837,647)
Balance March 31, 2013	27,385,768	19,947,252	243,161	55,234,161	102,810,342
Accumulated amortization					
Balance March 31, 2012	531,494	5,713,020	-	38,878,789	45,123,303
Elimination on disposal of assets	-	(49,324)	-	-	(49,324)
Amortization	-	549,307	-	939,173	1,488,480
Balance March 31, 2013	531,494	6,213,003	-	39,817,962	46,562,459
Carrying amounts	$ 26,854,274	$ 13,734,249	$ 243,161	$ 15,416,199	$ 56,247,883

PHOTO: E. Katie Wowryk

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF FINANCIAL POSITION - WHRC

March 31, 2013

	2013	2012
ASSETS		
Current Assets		
Cash (Note 9)	**$ 1,569,461**	$ 1,287,792
Rents receivable	**8,222**	17,836
Grants receivable (Note 3)	**674,912**	122,123
Other receivables	**78,915**	119,279
Subsidy due from CMHC (Note 4)	**2,937**	3,184
Subsidy due from Manitoba Housing (Note 4)	**252,055**	249,976
Operating deficiency recoverable from Manitoba Housing (Note 5)	**134,172**	-
Prepaid expenses	**128,552**	113,100
Housing inventory (Notes 2(b) and 6)	**32,073**	581,031
	2,881,299	2,494,321
Restricted Cash and Deposits		
Replacement Reserve Fund (Notes 2(c) and 7)		
CMHC funded	**88,339**	70,418
Manitoba Housing funded	**3,985,278**	3,671,268
WHRC funded	**303,187**	269,224
	4,376,804	4,010,910
Capital Assets (Notes 2(d) and 8)	**25,456,447**	26,925,414
	$ 32,714,550	$ 33,430,645

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF FINANCIAL POSITION - WHRC (continued)

March 31, 2013

	2013	2012
LIABILITIES, RESERVES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 969,732**	$ 535,055
Accrued interest payable	**185,485**	195,529
Security deposits and prepaid rent	**236,169**	249,389
Operating excess payable to Manitoba Housing (Note 5)	**-**	31,632
Current portion of forgivable loans (Notes 2(e) and 10)	**166,986**	166,986
Current portion of long-term debt (Note 11)	**1,418,344**	1,299,908
	2,976,716	2,478,499
Deferred Revenue	**3,305**	49,500
Forgivable Loans (Notes 2(e) and 10)	**1,323,815**	1,490,801
Long-term Debt (Note 11)	**23,150,127**	24,568,504
Replacement Reserves		
Replacement Reserves - CMHC (Notes 2(c) and 7)	**88,339**	70,418
Replacement Reserves - Manitoba Housing (Notes 2(c) and 7)	**3,985,278**	3,671,268
Replacement Reserves - WHRC (Notes 2(c) and 7)	**303,187**	269,224
	4,376,804	4,010,910
WHRC Building and Acquisition Reserve (Note 12)	**1,045,631**	1,026,482
	32,876,398	33,624,696
UNRESTRICTED NET ASSETS (DEFICIT)	**(161,848)**	(194,051)
	$ 32,714,550	$ 33,430,645

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF CHANGES IN NET ASSETS - WHRC

Year ended March 31, 2013

		2013		2012
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES, CMHC PROPERTIES	**$**	**(17,886)**	$	6,767
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES, MANITOBA HOUSING PROPERTIES		**(134,172)**		31,632
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES, WHRC RENTAL AND DEVELOPMENT		**(15,916)**		32,451
EXCESS OF REVENUE OVER EXPENSES, WHRC HEAD OFFICE		**66,005**		48,693
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES		**(101,969)**		119,543
UNRESTRICTED NET ASSETS (DEFICIT), BEGINNING OF YEAR		**(194,051)**		(281,962)
OPERATING DEFICIENCY RECOVERABLE FROM (EXCESS PAYABLE TO) MANITOBA HOUSING (Note 5)		**134,172**		(31,632)
UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR	**$**	**(161,848)**	$	(194,051)

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF OPERATIONS - WHRC

Year ended March 31, 2013

	2013	2012
REVENUE		
Rental revenue		
Residential	**$ 2,846,844**	$ 2,851,430
Commercial	**55,336**	55,102
Manitoba Housing subsidy (Note 4)	**3,882,990**	3,788,524
Property management fees	**459,304**	442,399
City of Winnipeg operating grant	**195,000**	200,000
Development fees	**131,316**	59,442
Parking and laundry	**69,351**	70,699
CMHC subsidy (Note 4)	**37,960**	38,207
Home Ownership Training Initiative grant	**-**	63,234
Other grants	**24,602**	22,386
BCI-RNB Administration fees	**45,000**	37,500
Interest and other income	**36,033**	27,266
	7,783,736	7,656,189
EXPENSES		
Administration	**316,191**	314,112
Allocation to Replacement Reserve (Note 7)	**483,650**	332,182
Amortization (Note 2(d))	**1,312,984**	1,199,415
Bad debts	**34,122**	28,828
Bank charges and other interest	**2,790**	3,427
Cable T.V.	**879**	832
Collection fees	**3,058**	2,128
Garbage removal	**26,436**	14,696
Home Ownership Training Initiative	**-**	63,234
Insurance	**209,272**	123,525
Janitorial services	**261,624**	277,117
Maintenance and repairs	**699,034**	699,051
Mortgage interest	**2,241,951**	2,356,334
Office operations	**94,435**	100,033
Office salaries and benefits	**666,863**	579,086
Professional fees	**47,196**	62,391
Property taxes	**455,239**	386,016
Snow removal	**20,692**	9,063
Electricity	**368,468**	332,098
Natural gas	**163,054**	171,149
Water	**477,767**	481,929
	7,885,705	7,536,646
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	**$ (101,969)**	$ 119,543

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF CASH FLOW - WHRC

Year ended March 31, 2013

	2013	2012
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ (101,969)**	$ 119,543
Add non cash items:		
Amortization	**1,312,984**	1,199,415
	1,211,015	1,318,958
Change in non-cash working capital:		
Rents receivable	**9,614**	604
Grants receivable	**(552,789)**	90,013
Other receivables	**40,364**	48,620
Subsidy due from CMHC	**247**	-
Subsidy due from Manitoba Housing	**(2,079)**	12,303
Prepaid expenses	**(15,452)**	(8,522)
Housing inventory	**548,958**	282,550
Accounts payable and accrued liabilities	**434,677**	(178,602)
Accrued interest payable	**(10,044)**	(8,467)
Security deposits and prepaid rent	**(13,220)**	19,570
Deferred revenue	**(46,195)**	(63,400)
	1,605,096	1,513,627
INVESTING ACTIVITIES		
Purchase of capital assets	**(4,280)**	(1,270)
Increase in Manitoba Housing replacement reserve	**314,010**	213,934
Increase in CMHC replacement reserve	**17,921**	1,338
Increase in WHRC replacement reserve	**33,963**	15,959
Increase in WHRC building and acquisition reserve	**19,149**	33,834
	380,763	263,795
FINANCING ACTIVITIES		
Decrease in forgivable loans	**(6,724)**	(6,724)
Repayment of long-term debt	**(1,299,940)**	(1,187,135)
Manitoba Housing recoveries	**(31,632)**	31,933
	(1,338,296)	(1,161,926)
INCREASE IN CASH	**647,563**	615,496
CASH, BEGINNING OF YEAR	**5,298,702**	4,683,206
CASH, END OF YEAR (NOTE 13)	**$ 5,946,265**	$ 5,298,702

1. *Accounting Entity*

The corporation is engaged in providing affordable 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 development 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 expenses.

a) Basis of Accounting

The corporation follows the accrual basis of accounting whereby revenue is recognized when earned and expenses are recorded when incurred.

b) 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 construction in progress.

c) 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.

d) 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.

2. Significant Accounting Policies (continued)

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
	- for properties not financed by debt, an amount equal to 4% of the opening net book value of the property
General	- a replacement reserve is maintained to provide for future asset replacement

e) 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.

f) Revenue Recognition

The corporation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses 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.

g) Financial Instruments

Financial instruments held by the corporation include cash, rents receivable, other receivables, restricted cash and deposits, accounts payable and accrued liabilities, accrued interest payable, and long-term debt. The corporation initially measures its financial instruments at fair market value and subsequently measures its financial instruments at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition, less principal repayments, plus or minus the cumulative difference between that initial amount and the maturity amount, and minus any reduction for impairment.

3. Grants Receivable

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

	2013	2012
Infill Housing Project		
AHI Province of Manitoba	**$ 638,912**	$ 106,123
City of Winnipeg	**36,000**	16,000
	$ 674,912	$ 122,123

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.

	2013	2012
Operating deficiency recoverable from (excess payable to) Manitoba Housing	**$ 134,172**	$ (31,632)

6. *Housing Inventory*

The corporation has undertaken projects to acquire property and develop housing in the Spence, Centennial, and North End neighbourhoods. The allocation is as follows:

	2013	2012
Spence		
419 Sherbrook Street	**$ 4,483**	$ 6,724
663 Furby Street	**4,483**	6,724
452 Langside Street	**4,483**	6,724
	13,449	20,172
Centennial		
422/426 Ross Avenue	**18,624**	50,096
North End		
138 Argyle Street	**-**	710
381 Manitoba Avenue	**-**	(1,000)
497 Magnus Avenue	**-**	(1,000)
499 Magnus Avenue	**-**	(1,000)
611 Magnus Avenue	**-**	(1,000)
268 Pritchard Avenue	**-**	106,771
276 Manitoba Avenue	**-**	863
278 Manitoba Avenue	**-**	862
301 Burrows Avenue	**-**	92,707
307 Austin Street	**-**	19,581
311 Austin Street	**-**	19,082
319 Aberdeen Avenue	**-**	1,039
360 Pritchard Avenue	**-**	76,545
394 Alfred Avenue	**-**	1,024
419 Alfred Avenue	**-**	1,006
456 Burrows Avenue	**-**	90,443
592 Magnus Avenue	**-**	102,118
619 Aberdeen	**-**	1,006
637 Aberdeen Avenue	**-**	1,006
	-	510,763
	$ 32,073	$ 581,031

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.

	2013	2012
Allocation		
Annual charge	**$ 483,650**	$ 332,182
Year end balance		
Cash	**$ 499,618**	$ 215,480
Canadian Treasury Bills, Bonds and Guaranteed Investment Certificates	**3,877,186**	3,795,430
	$ 4,376,804	$ 4,010,910

8. *Capital Assets*

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Rental properties	**$ 39,314,307**	**$ 13,890,006**	$ 39,474,569	$ 12,589,858
Furniture and equipment	**265,083**	**232,937**	260,803	220,100
	$ 39,579,390	**$ 14,122,943**	$ 39,735,372	$ 12,809,958
Net book value	**$ 25,456,447**		$ 26,925,414	

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 $166,721 of this line of credit as at March 31, 2013 (2012 - $585,421).

10. *Forgivable Loans*

	2013	2012
Forgivable loans	**$ 1,490,801**	$ 1,657,787
Less: current portion	**166,986**	166,986
	$ 1,323,815	$ 1,490,801

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.

10. *Forgivable Loans (continued)*

The loans will be forgiven for the years ended as follows:

March 31,	2014	$ 166,986
	2015	166,986
	2016	160,262
	2017	155,333
	2018	154,833
	Thereafter	686,401
		$ 1,490,801

11. *Long-Term Debt*

Lender	Interest Rate	Maturity Dates	2013	2012
Assiniboine Credit Union	2.75% - 6.50%	2013-2029	**$ 264,830**	$ 277,672
TD Canada Trust	5.10%	2017	**742,756**	764,170
Canada Mortgage Housing Corporation	4.52% - 5.50%	2017-2021	**3,594,466**	3,888,754
Manitoba Housing	6.63% - 12.50%	-	**19,966,419**	20,937,816
			24,568,471	25,868,412
Less: current portion			**1,418,344**	1,299,908
			$ 23,150,127	$ 24,568,504

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,	2014	$ 1,418,344
	2015	1,547,977
	2016	1,681,401
	2017	1,812,008
	2018	1,974,812
	Thereafter	15,038,057
	CMHC second mortgages	1,095,872
		$ 24,568,471

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

		2013		2012
Cash represented by:				
Cash	**$**	**1,569,461**	$	1,287,792
Restricted cash and deposits		**4,376,804**		4,010,910
	$	**5,946,265**	$	5,298,702
Interest received	**$**	**145,900**	$	163,571
Interest paid		**2,252,965**		2,365,783

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 expenses during the reporting periods presented. Actual results could differ from these estimates.

PHOTO: Harv Sawatsky

THE CITY OF WINNIPEG
COUNCIL PENSION BENEFITS PROGRAM
(Established under By-law 7869/2001)

STATEMENT OF FINANCIAL POSITION

As at December 31

	2013	2012
ASSETS		
Investments		
Cash and short-term deposits (Note 3)	**$ 120,001**	$ 56,369
Canadian securities (Note 3)	**3,479,528**	2,658,690
	3,599,529	2,715,059
Accrued interest (Note 3)	**32,945**	20,844
Due from the City of Winnipeg	**3,328**	1,717
Total Assets	**3,635,802**	2,737,620
LIABILITIES		
Accounts payable and accrued liabilities	**44,787**	49,178
Total Liabilities	**44,787**	49,178
NET ASSETS AVAILABLE FOR BENEFITS	**3,591,015**	2,688,442
OBLIGATION FOR PENSION BENEFITS (Note 4)	**3,945,291**	3,771,072
NET ASSETS AVAILABLE FOR BENEFITS LESS OBLIGATION FOR PENSION BENEFITS	**$ (354,276)**	$ (1,082,630)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION BENEFITS PROGRAM
(Established under By-law 7869/2001)

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31

	2013	2012
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg (Note 5)	**$ 1,100,691**	$ 313,326
Plan members	**108,009**	106,791
	1,208,700	420,117
Investment income from		
Canadian securities	**80,242**	51,871
Cash and short-term deposits	**818**	507
	81,060	52,378
Current period change in fair value of investments	**-**	16,721
Other	**-**	15
Total increase in assets	**1,289,760**	489,231
DECREASE IN ASSETS		
Administrative expenses		
Actuarial fees	**25,031**	50,217
Investment management, audit and administrative fees	**14,390**	15,196
	39,421	65,413
Benefit payments		
Pension payments	**62,566**	66,890
Commuted value benefit	**-**	142,217
	62,566	209,107
Current period change in fair value of investments	**285,200**	-
Total decrease in assets	**387,187**	274,520
Increase in net assets	**902,573**	214,711
Net assets available for benefits at beginning of year	**2,688,442**	2,473,731
Net assets available for benefits at end of year	**$ 3,591,015**	$ 2,688,442

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION BENEFITS PROGRAM
(Established under By-law 7869/2001)

STATEMENT OF CHANGES IN PENSION BENEFITS OBLIGATION

For the years ended December 31

	2013	2012
OBLIGATION FOR PENSION BENEFITS AT BEGINNING OF YEAR	**$ 3,771,072**	$ 3,220,620
Benefits accrued	**424,548**	419,581
Interest accrued on benefits	**181,795**	159,641
Benefits paid	**(62,566)**	(209,107)
Changes in actuarial assumptions	**(369,558)**	180,337
OBLIGATION FOR PENSION BENEFITS AT END OF YEAR	**$ 3,945,291**	$ 3,771,072

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION BENEFITS PROGRAM
(Established under By-law 7869/2001)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

1. Description of Plan

a) General

The Council Pension Benefits Program (the "Program") was established on July 18, 2001 by The City of Winnipeg Council Pension Plan By-law No. 7869/2001, which deemed the Program to have come into existence on January 1, 2001. The Program means the benefits program consisting of The City of Winnipeg Council Pension Plan ("Part A" or "Plan") and The City of Winnipeg Council Early Retirement Benefits Arrangement ("Part B"). Part A and Part B are defined pension plans, which provide pension benefits for The City of Winnipeg Council (the "Council") members. All members of Council were required to become members of the Program on January 1, 2001.

b) Contributions

For Part A, 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 actuary for Part A. The City is responsible for ensuring that the actuarial liabilities of Part A are adequately funded over time. Any surplus disclosed in an actuarial valuation of Part A may be used to reduce the City's required contributions to Part A or used as a contingency reserve to offset possible future losses of Part A.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

c) Retirement pensions

For each member, the Program allows for retirement at or after the age of 55, or following completion of 30 years of service, or when the sum of a member's age plus years of credited service equals 80, or if the member becomes totally and permanently disabled.

The pension formula prior to age 65 is equal to 2%, multiplied by the 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 member's years of credited service multiplied by the aggregate of 1.5% of the member's best 5-year average Canada Pension Plan earnings plus 2% of the member's best 5-year average non-Canada Pension Plan earnings.

For part A, the amount determined by the pension formula above is reduced by 0.25% for each month by which the member's date of retirement precedes the earliest of the day on which the: member will attain age 60, member would have completed 30 years of service had employment continued, or member's age plus years of service would have totaled 80 had employment continued.

For Part B, the amount payable is equal to the amount determined by the pension formula above less the amount payable under Part A.

Benefits are indexed each July 1 at a rate of 80% of Consumer Price Inflation (Canada) from the date the pension commences to be paid.

1. Description of Plan (continued)

d) Deemed retirement

Any Program member who is not retired on December 1 of the taxation year in which the Program member attains age 71 shall be deemed to have retired on that day.

e) Survivor's benefits

On a member's death before retirement Part A provides for survivor's benefits and Part B does not. The Program provides for survivor's benefits on a member's death after retirement.

f) Termination benefits

Upon application and subject to locking-in provisions, deferred pensions or equivalent lump sum benefits with respect to Part A accruals are payable to a Program member when a Program member ceases to be an elected official with the City prior to being eligible to retire under the Program. No benefits are payable under Part B when a Program member ceases to be an elected official with the City prior to being eligible to retire under the Program.

Benefits are indexed each July 1 at a rate of 80% of Consumer Price Inflation (Canada) up to the date the deferred pension commences to be paid.

g) Re-election

If a Program member who is receiving a pension from the Program is re-elected, the Program member's pension will be suspended prior to the Program member becoming an elected official with the City and their years of credited service will be added to the Program member's years of credited service after re-election.

h) Administration

The Program 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 Program as a separate financial reporting entity, independent of the sponsor and Program members. They are prepared to assist Program members and others in reviewing the activities of the Program for the fiscal period.

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. In selecting accounting policies that do not relate to its investment portfolio or pension obligations the Program complies on a consistent basis with Canadian accounting standards for private enterprises ("ASPE").

2. *Significant Accounting Policies (continued)*

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.

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.

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.

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 securities 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 and extrapolation for the obligation for pension benefits (Note 4).

2. *Significant Accounting Policies (continued)*

e) Income taxes

Part A is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, the pension fund is not subject to income taxes.

Part B is a supplemental pension plan where the City pays the full cost of benefits and expenses as they become payable.

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.

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, 2013, 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 $348,000 (2012 - $266,000).

3. Risk Management (continued)

b) Credit risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. At December 31, 2013, the Plan's maximum credit risk exposure relates to accrued interest, cash and short-term deposits totalling $152,946 (2012 - $77,213).

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.

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 or liability that are not based on observable market data (unobservable inputs).

The following is a summary of the inputs used as of December 31, 2013 and 2012 in valuing the Plan's financial assets recorded at fair value:

	Level 1	Level 2	Level 3	**2013 Total**
Cash and short-term deposits	**$ 120,001**	**$ -**	**$ -**	**$ 120,001**
Canadian securities	**3,479,528**	**-**	**-**	**3,479,528**
	$ 3,599,529	**$ -**	**$ -**	**$ 3,599,529**

	Level 1	Level 2	Level 3	2012 Total
Cash and short-term deposits	$ 56,369	$ -	$ -	$ 56,369
Canadian securities	2,658,690	-	-	2,658,690
	$ 2,715,059	$ -	$ -	$ 2,715,059

Canadian securities consist of the following;

	2013	2012
iShares real return bond index fund	**$ 2,072,764**	$ 1,809,498
iShares S&P/TSX 60 index fund	**1,112,800**	614,047
BMO long federal bond index fund	**293,964**	235,145
	$ 3,479,528	$ 2,658,690

4. *Obligation for Pension Benefits*

An actuarial valuation of the Program was prepared as at December 31, 2011 and extrapolated to December 31, 2013, by Mercer (Canada) Limited ("Mercer"). The actuarial present value of accrued pension benefits for the valuation was determined using the projected benefit method pro-rated on service and using assumptions approved by the Board with input from the actuary.

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 5.4% (2012 - 4.6%) per annum, a rate of return on assets of 5.4% (2012 - 4.6%) per annum, and a general rate of salary increase of 2.5% (2012 - 2.5%) per annum.

The obligation for pension benefits is comprised of the following:

	2013	2012
Part A	**$ 3,730,232**	$ 3,581,454
Part B	**215,059**	189,618
	$ 3,945,291	$ 3,771,072

5. *Contributions*

	2013	2012
Current service	**$ 318,691**	$ 313,326
Special contribution (Note 6)	**782,000**	-
	$ 1,100,691	$ 313,326

For Part A, 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.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

6. *Capital Management*

For Part A, the main objective of the Board is to sustain a level of net assets in order to meet the pension obligation of Part A. The Board fulfills this objective by ensuring member and City contributions are remitted to the pension fund in accordance with the terms of Part A and 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.

For Part A, the City is responsible for ensuring that the actuarial liabilities of the Plan are adequately funded. The Board is required to have an actuarial funding valuation for Part A filed with Canada Revenue Agency. The most recent actuarial funding valuation filed for Part A was prepared by Mercer for the period ended December 31, 2011 and reported a $782 thousand shortfall that was funded by the City of Winnipeg during the year. The next actuarial funding valuation for Part A is scheduled to be filed as at December 31, 2014 and will be completed in 2015.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

7. *Related Party Transactions*

The Program receives administrative support from the City at no cost to the Program.


Reebok

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

	2013 (000's)	2012 (000's)
ASSETS		
Investments, at fair value		
Bonds and debentures	**$ 241,296**	$ 282,655
Canadian equities	**328,195**	295,684
Foreign equities	**367,318**	299,873
Cash and short-term deposits	**57,173**	22,506
Private equities	**18,190**	15,455
Real estate	**83,810**	37,968
Infrastructure	**26,160**	-
	1,122,142	954,141
Accrued interest	**-**	659
Participants' contributions receivable	**-**	6
Employers' contributions receivable	**1**	13
Accounts receivable	**241**	109
Due from The Winnipeg Civic Employees' Pension Plan	**7**	42
Total Assets	**1,122,391**	954,970
LIABILITIES		
Accounts payable	**2,128**	1,678
Total Liabilities	**2,128**	1,678
NET ASSETS AVAILABLE FOR BENEFITS	**1,120,263**	953,292
PENSION OBLIGATIONS	**1,034,654**	1,014,501
SURPLUS (DEFICIT)	**$ 85,609**	$ (61,209)
SURPLUS (DEFICIT) COMPRISED OF:		
Main Account - General Component	**$ 75,949**	$ (87,479)
Main Account - Contributions Stabilization Reserve	**-**	18,131
Plan Members' Account	**9,660**	8,139
	$ 85,609	$ (61,209)

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
(unaudited)

	2013	2012
	(000's)	(000's)
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	**$ 20,954**	$ 17,129
Employees	**11,282**	11,367
Reciprocal transfers from other plans	**598**	9
	32,834	28,505
Investment income (Note 5)	**26,978**	29,542
Current period change in fair value of investments	**153,056**	45,908
Total increase in assets	**212,868**	103,955
DECREASE IN ASSETS		
Pension payments	**41,660**	39,470
Lump sum benefits (Note 7)	**553**	2,769
Administrative expenses (Note 8)	**909**	989
Investment management and custodial fees	**2,775**	2,054
Total decrease in assets	**45,897**	45,282
Increase in net assets	**166,971**	58,673
Net assets available for benefits at beginning of year	**953,292**	894,619
Net assets available for benefits at end of year	**$ 1,120,263**	$ 953,292

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
(unaudited)

	2013 (000's)	2012 (000's)
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	**$ 1,014,501**	$ 933,774
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	**58,047**	57,464
Benefits accrued	**33,429**	32,689
Changes in actuarial assumptions	**-**	38,612
Total increase in accrued pension benefits	**91,476**	128,765
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	**42,213**	42,239
Experience gains and losses and other factors	**10,176**	4,971
Changes in actuarial assumptions	**18,063**	-
Administration expenses	**871**	828
Total decrease in accrued pension benefits	**71,323**	48,038
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	**20,153**	80,727
ACCRUED PENSION BENEFITS, END OF YEAR	**$ 1,034,654**	$ 1,014,501

STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

For the years ended December 31

	2013 (000's)	2012 (000's)
(DEFICIT) SURPLUS, BEGINNING OF YEAR	**$ (61,209)**	$ (39,155)
Increase in net assets available for benefits for the year	**166,971**	58,673
Increase in accrued pension benefits for the year	**(20,153)**	(80,727)
SURPLUS (DEFICIT), END OF YEAR	**$ 85,609**	$ (61,209)

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
(unaudited)

	2013			
	(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	$ 20,954	$ -	$ -	**$ 20,954**
Employees	11,282	-	-	**11,282**
Reciprocal transfers from other plans	598	-	-	**598**
	32,834	-	-	**32,834**
Investment income (Note 5)	26,746	-	232	**26,978**
Current period change in fair value of investments	151,742	-	1,314	**153,056**
Transfer from Contribution Stabilization Reserve - Resolution of funding deficiency (Note 3)	18,131	(18,131)	-	**-**
Total increase (decrease) in assets	229,453	(18,131)	1,546	**212,868**
DECREASE IN ASSETS				
Pension payments	41,660	-	-	**41,660**
Lump sum benefits (Note 7)	553	-	-	**553**
Administrative expenses (Note 8)	909	-	-	**909**
Investment management and custodial fees	2,750		25	**2,775**
Total decrease in assets	45,872	-	25	**45,897**
Increase (decrease) in net assets	183,581	(18,131)	1,521	**166,971**
Net assets available for benefits at beginning of year	927,022	18,131	8,139	**953,292**
Net assets available for benefits at end of year	$ 1,110,603	$ -	$ 9,660	**$ 1,120,263**

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
(unaudited)

	2012			
	(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	$ 17,129	$ -	$ -	$ 17,129
Employees	11,367	-	-	11,367
Reciprocal transfers from other plans	9	-	-	9
	28,505	-	-	28,505
Transfer from Contribution Stabilization Reserve (Note 1)	4,196	-	-	4,196
Transfers to Main Account	-	(4,196)	-	(4,196)
Investment income (Note 5)	28,670	622	250	29,542
Current period change in fair value of investments	44,552	967	389	45,908
Transfer from Contribution Stabilization Reserve - Resolution of funding deficiency (Note 3)	9,162	(9,162)	-	-
Total increase (decrease) in assets	115,085	(11,769)	639	103,955
DECREASE IN ASSETS				
Pension payments	39,470	-	-	39,470
Lump sum benefits (Note 7)	2,769	-	-	2,769
Administrative expenses (Note 8)	989	-	-	989
Investment management and custodial fees	1,994	43	17	2,054
Total decrease in assets	45,222	43	17	45,282
Decrease in net assets	69,863	(11,812)	622	58,673
Net assets available for benefits at beginning of year	857,159	29,943	7,517	894,619
Net assets available for benefits at end of year	$ 927,022	$ 18,131	$ 8,139	$ 953,292

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 3

SCHEDULE OF CHANGES IN SURPLUS (DEFICIT) BY ACCOUNT

For the years ended December 31
(unaudited)

	2013			
	(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	$ (87,479)	$ 18,131	$ 8,139	**$ (61,209)**
Increase (decrease) in net assets available for benefits for the year	183,581	(18,131)	1,521	**166,971**
Net increase in accrued pension benefits for the year	(20,153)			**(20,153)**
SURPLUS, END OF YEAR	$ 75,949	$ -	$ 9,660	**$ 85,609**

	2012			
	(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	$ (76,615)	$ 29,943	$ 7,517	$ (39,155)
Increase (decrease) in net assets available for benefits for the year	69,863	(11,812)	622	58,673
Net increase in accrued pension benefits for the year	(80,727)	-	-	(80,727)
(DEFICIT) SURPLUS, END OF YEAR	$ (87,479)	$ 18,131	$ 8,139	$ (61,209)

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, 2013
(unaudited)

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 voting 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.

Employees 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 and to the extent provincial funding regulations permit such a transfer, then the City matches the employee contributions during the year.

If the Contribution Stabilization Reserve is insufficient to provide the above transfer or if provincial funding regulations restrict such a transfer, then the City contributes the balance of the current service cost of benefits accrued during the year, including 2% of earnings for post-retirement cost-of-living adjustments, in excess of the employees’ contributions.

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 employees' and City's contributions. In accordance with Provincial funding regulations the Contribution Stabilization Reserve can be used to reduce the City's contributions only to the extent of the balance in excess of 5% of the Plan's solvency liabilities. The balance of the Contribution Stabilization Reserve has been below this threshold since 2012.

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 47.0% (2012 - 66.2%) 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 and presents it at fair value. 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions.

Publicly traded equity investments are valued using published market prices. For private equity and infrastructure 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. Items within the financial statements which require significant estimates and judgement include the pension obligation and the fair value of investments.

e) Accounting change

In accordance with the Accounting Standards for Pension Plans, the Plan is applying International Financial Reporting Standard ("IFRS") 13, Fair Value Measurement, for first time in the current year for the measurement of its investment assets. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurments. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instruments for which other IFRSs and accounting standards require or permit fair value measurements and disclosures about fair value measurements.

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market particpants in the principal (or most advantageous) market at the measurment date under current market conditions. In some instances, the disclosure requirments in IFRS 13 are more extensive than those previously required by the Standards.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the new disclosure requirments set out in IFRS 13 in the comparative information provided for periods before the initial application of the standard. In accordance with theses transitional provisions, the Plan has not made any new disclosures required by IFRS 13 for the 2012 comparative period. The application of IFRS 13 has not had any material impact on the amounts recognized or disclosures made in the financial statements.

3. *Obligations for Pension Benefits*

An actuarial valuation of the Plan was performed as of December 31, 2013 by Eckler Ltd. This valuation was used to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2013. For the comparative 2012 figures, the actuarial present value of accrued benefits at December 31, 2012 is based on the December 31, 2012 actuarial valuation performed by Mercer (Canada) Limited. 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 included a valuation interest rate of 6.0% (2012 – 6.0%) per year, inflation of 2.0% (2012 – 2.0%) per year and general increases in pay of 3.25% (2012 - 3.25%) per year. The economic assumptions with repect to communuted values were revised, decreasing obligations for pension benefits by $2,682,000. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience. The demographic assumptions for annual rates of mortality improvements were revised to utilize the Canadian Pensioners' Mortality Improvement Scale B, (CPM-B) increasing obligations for pension benefits by $26,846,000.

3. Obligations for Pension Benefits (continued)

These assumptions were approved by the Winnipeg Police Pension Board for the purpose of preparing financial statements. The actuarial present value of accrued benefits was determined using the projected benefits method pro-rated on services.

The actuarial valuation as at December 31, 2013 disclosed a $3,481,000 funding surplus to be allocated accordance with the Plan, by transferring $18,000 to the City Account, by transferring $1,731,500 from the Main Account - General Component to the Main Account - Contribution Stablization Reserve and by reducing future cost-of-living adjustments from 47.0% to 47.8% of inflation, effective January 1, 2014.

The actuarial valuation as at December 31, 2012 disclosed a $60,358,000 funding deficiency which was resolved in accordance with the Plan, by transferring $18,131,000 from the Main Account - Contribution Stabilization Reserve to the Main Account - General Component and by reducing future cost-of-living adjustments from 66.2% to 47.0% of inflation, (with a corresponding reduction in obligtions for pension benefits of $42,227,000), effective January 1, 2013.

The actuarial valuation as at December 31, 2011 disclosed a $18,324,000 funding deficiency which was resolved in accordance with the Plan, by transferring $9,162,000 from the Main Account - Contribution Stabilization Reserve to the Main Account - General Component and by reducing future cost-of-living

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.

The effect of using a smoothed value of assets for the Main Account - General Component in determining the estimated actuarial surplus or deficiency, before allocation of surplus of deficit resolution is as follows:

	2013	2012
	(000's)	(000's)
Surplus (deficit) for financial statement reporting purposes		
Main Account - General Component	**$ 75,949**	$ (87,479)
Fair value changes not reflected in actuarial value of assets	**(72,468)**	27,121
Surplus (deficit) for actuarial valuation purposes		
Main Account - General Component	**3,481**	(60,358)
Add: special purpose reserves and accounts		
Main Account - Contribution Stabilization Reserve	**-**	18,131
Plan Members' Account	**9,660**	8,139
(Deficit) surplus for actuarial valuation purposes - including special purpose reserves and accounts, as estimated	**$ 13,141**	$ (34,088)

A full actuarial valuation of the Program is being carried out as of December 31, 2013. Any actuarial surplus or funding deficiency disclosed in that valution will be dealt with in accordance with the provisions of the Pension By-law.

The most recent actuarial valuation for funding purposes as at December 31, 2013 will be filed with the Manitoba Pension Commission and the Canada Revenue Agency. The valuation disclosed a solvency liability measured on a hypothetical Plan wind up basis of $1,065,297,000 and a solvency surplus of $10,780,000 as at December 31, 2013; however, the solvency assets, not including the amount secured by the existing letter of credit are less than the solvency liabilities by $28,962,000.

3. Obligations for Pension Benefits (continued)

The Pension Benefits Regulation provides that an irrevocable letter of credit may be used to secure some or all of the special payments that would otherwise be required from the City of Winnipeg. The City of Winnipeg has informed the Winnipeg Police Pension Board that it will be arranging for renewal of the irrevaocable letter of credit to be held by the Winnipeg Police Pension Board in the amount of $28,962,000 together with any applicable interest as required under the Regulation, commencing in 2014. The new letter of credit is expected to take effect in October 2014 and be renewed annurally thereafter until such time as the Plan no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the Regulation.

In 2013, the City of Winnipeg provided an irrevocable letter of credit from a chartered bank to the Winnipeg Police Pension Board to be held by the Winnipeg Police Pension Board in trust for the Plan in lieu of making special payments of $3,563,000 per month together with any applicable interest as required under the Regulation, commencing in 2013. The letter of credit took effect from October 27, 2013 and as of December 31, 2013 the irrevocable letter of credit secured special payments that would otherwise be required from the City of Winnipeg in the amount of $39,742,000.

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, 2013, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $298,469,000 (2012 - $305,820,000).

The Plan's concentration of credit risk as at December 31, 2013, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	**2013 Fair Value (000's)**	2012 Fair Value (000's)
Government of Canada and Government of Canada guaranteed	**$ 62,414**	$ 30,954
Provincial and Provincial guaranteed	**71,531**	190,222
Canadian cities and municipalities	**4,266**	1,747
Corporations and other institutions	**103,085**	59,732
	$ 241,296	$ 282,655

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $41,374,000 at December 31, 2013 (2012 - $22,459,000).

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

4. *Management of Financial Risk (continued)*

a) Credit risk (continued)

As at December 31, bonds and debentures analyzed by credit rating are as follows:

	2013		2012	
Credit Rating	**Percent of Total Bonds**	**Percent of Net Assets**	Percent of Total Bonds	Percent of Net Assets
AAA	**33.4**	**7.2**	15.4	4.6
AA	**28.7**	**6.2**	76.2	22.6
A	**27.9**	**6.0**	6.8	2.0
BBB	**8.7**	**1.8**	1.1	0.3
BB	**1.3**	**0.3**	0.5	0.2
	100.0	**21.5**	100.0	29.7

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. Finally, the Plan may also invest in infrastructure, which is not traded in an organized market and may be illiquid, but only up to a maximum of 8% of the Plan's assets, as stipulated in the Plan's Statement of Investment Polices 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.

The Plan has approximately 27% (2012 - 32%) of its assets invested in fixed income securities as at December 31, 2013. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

4. 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, 2013 are as follows:

Term to Maturity	**2013 Fair Value (000's)**	2012 Fair Value (000's)
Less than one year	**$ 4,143**	$ 51,970
One to five years	**65,218**	129,189
Greater than five years	**171,935**	101,496
	$ 241,296	$ 282,655

As at December 31, 2013, had prevailing interest rates raised or lowered by 0.5% (2012 - 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 $11,063,000 (2012 - $5,441,000), approximately 1.0% of total net assets (2012 - 0.6%). 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 economic hedge as at December 31, 2013.

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.

	2013				2012	
	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	**$ 222,621**	**$ -**	**$ 222,621**	**$ 22,262**	$ 178,689	$ 17,869
Euro Countries	**53,382**	**17**	**53,365**	**5,337**	41,817	4,182
United Kingdom	**28,835**	**34**	**28,801**	**2,880**	27,075	2,707
Japan	**16,435**	**-**	**16,435**	**1,644**	10,418	1,042
Switzerland	**10,771**	**-**	**10,771**	**1,077**	11,430	1,143
Hong Kong	**10,108**	**-**	**10,108**	**1,011**	7,430	743
Sweden	**9,717**	**-**	**9,717**	**972**	8,578	858
China	**4,884**	**-**	**4,884**	**488**	1,693	169
Other	**21,823**	**-**	**21,823**	**2,182**	23,481	2,348
	$ 378,576	**$ 51**	**$ 378,525**	**$ 37,853**	$ 310,611	$ 31,061

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, 2013, 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 $104,327,000 (2012 - $89,334,000), approximately 9.3% of total net assets (2012 - 9.4%). In practice, the actual results may differ and the difference could be material.

The Plan also has exposure to valuation risk through its holdings of private equity and real estate investments, for which quoted market prices are not available. As at December 31, 2013, the estimated fair value of private equity investments is $18,190,000 (2012 - $15,455,000), approximately 1.6% of total net assets (2012 - 1.6%), and the related change in fair value of investments recognized for the year ended December 31, 2013 is $4,811,000 (2012 - $2,641,000). As at December 31, 2013, the estimated fair value of real estate investments is $83,810,000 (2012 - $37,968,000), approximately 7.5% of total net assets (2012 - 4.0%), and the related change in fair value of investments recognized for the year ended December 31, 2013 is $5,914,000 (2012 - $2,397,000).

The Plan also has exposure to valuation risk through its holdings of infrastructure investments, for which quoted market prices are not available. In 2013, the Plan became a client of OMERS Investment Management, and has made a payment of $25,850,000 in a Contractual Return Arrangement. The Contractual Return Arrangement provides the Plan with the annual rate of return (which may be positive or negative) based on the total investment return reported in the OMERS Annual Report for the assets and related liabilities allocable to the OMERS Primary Pension Plan fund that are directly or indirectly owned by OMERS Administration Corporation ("OAC") and managed by Borealis Infrastructure (the "Borealis Assets). Under this arrangement the Plan is the sole limited partner in an Ontario limited partnership (OIM B4 2013 L.P.), and it has entered into a derivative contract with that limited partnership, which provides the return described above each year on the outstanding value on the contract. The arrangement provides for annual cash distributions to the Plan to the extent that cash distributions are received by OAC in respect of the operations of any investment forming part of the Borealis Assets. In addition, further cash distributions may be made under the arrangement, to the extent that cash distributions are received by OAC and distributed to the partnership in respect of the full or partial disposition of any investment forming part of the Borealis

Assets. As at December 31, 2013, the estimated fair value of the infrastructure investments is $26,160,000 (2012 - $Nil), approximately 2.3% of total net assets (2012 - Nil), and the related change in fair value of investments recognized for the year ended December 31, 2013 is $310,000 (2012 - $Nil).

4. Management of Financial Risk (continued)

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.

The following table present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2013 and December 31, 2012, classified using the fair value hierarchy described above:

	Level 1 (000's)	**Level 2 (000's)**	**Level 3 (000's)**	**2013 Total Investment Assets at Fair Value (000's)**
Bonds and debentures	**$ -**	**241,296**	**-**	**$ 241,296**
Canadian equities	**328,195**	**-**	**-**	**328,195**
Foreign equities	**364,358**	**2,960**	**-**	**367,318**
Cash and short-term deposits	**49,293**	**7,880**	**-**	**57,173**
Private equities	**-**	**-**	**18,190**	**18,190**
Real estate	**-**	**-**	**83,810**	**83,810**
Infrasturture	**-**	**-**	**26,160**	**26,160**
	$ 741,846	**$ 252,136**	**$ 128,160**	**$ 1,122,142**

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	2012 Total Investment Assets at Fair Value (000's)
Bonds and debentures	$ 1,777	$ 280,878	$ -	$ 282,655
Canadian equities	292,885	2,799	-	295,684
Foreign equities	298,654	1,219	-	299,873
Cash and short-term deposits	22,506	-	-	22,506
Private equities	-	-	15,455	15,455
Real estate	-	-	37,968	37,968
	$ 615,822	$ 284,896	$ 53,423	$ 954,141

During the year, there have been no significant transfer of amounts between Level 1 and Level 2.

4. Management of Financial Risk (continued)

f) Fair value hierarchy (continued)

The following table reconciles the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

Private Equities	2013 (000's)	2012 (000's)
Fair value, beginning of year	**$ 15,455**	$ 15,024
Gains recognized in increase in net assets	**4,811**	2,641
Purchases	**750**	1,217
Sales	**(2,826)**	(3,427)
	$ 18,190	$ 15,455

Real Estate	2013 (000's)	2012 (000's)
Fair value, beginning of year	**$ 37,968**	$ 3,885
Gains recognized in increase in net assets	**5,914**	2,397
Purchases	**40,574**	31,686
Sales	**(646)**	-
	$ 83,810	$ 37,968

Infrastuture	2013 (000's)	2012 (000's)
Fair value, beginning of year	**$ -**	$ -
Gains recognized in increase in net assets	**310**	-
Purchases	**25,850**	-
	$ 26,160	$ -

Section 3.29 of the Pension Benefits Act Regulations requires disclosure of each investment asset that has a fair value greater than one percent of the fair value of the investment assets of the Fund. As at December 31, 2013, the Fund held the following investments that met this classification:

Bonds and debentures	2013 (000's)
TD Emerald Long Bond Broad Market Pooled Fund	**$ 95,056**
TD Lancaster Fixed Income Fund II	**74,317**
Fiera Active Fixed Income Fund	**71,923**

Canadian equities	2013 (000's)
TD Emerald Canadian Equity Index Fund	**$ 103,603**
Bank of Nova Scotia	**14,345**
Royal Bank of Canada	**13,271**
Toronto-Dominion Bank	**13,233**

4. *Management of Financial Risk (continued)*

f) Fair value hierarchy (continued)

Foreign equities	
State Street S&P 500 Index Common Trust Fund	**83,642**
Templeton Global Smaller Companies Fund	**19,801**
Cash and short term deposits	
City of Winnipeg short term deposit	**41,374**
Private equities	
5332665 MB Ltd. common shares	**17,005**
Real Estate	
Greystone Real Estate Fund Inc.	**45,190**
Bentall Kennedy Prime Canadian Property Fund Ltd.	**38,620**
Infrastructure	
OIM B4 2013 L.P.	**26,160**

5. *Investment Income*

	2013 (000's)	2012 (000's)
Bonds and debentures	**$ 11,723**	$ 16,360
Canadian equities	**8,383**	7,004
Foreign equities	**5,607**	5,535
Cash and short-term deposits	**619**	643
Real Estate	**646**	-
	$ 26,978	$ 29,542
Allocated to:		
Main Account - General Component	**$ 26,746**	$ 28,670
Main Account - Contribution Stabilization Reserve	**-**	622
Plan Members' Account	**232**	250
	$ 26,978	$ 29,542

6. *Investment Transaction Costs*

During 2013, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $273,000 (2012 - $258,000). Investment transaction costs are included in the current period change in fair value of investments.

7. *Lump Sum Benefits*

	2013 (000's)	2012 (000's)
Termination benefits	**$ 97**	$ 172
Death benefits	**-**	1,397
Payments on relationship breakdown	**367**	1,177
Other	**89**	23
	$ 553	$ 2,769

8. *Administrative Expenses*

	2013 (000's)	2012 (000's)
Winnipeg Civic Employees' Benefits Program	**$ 610**	$ 603
Actuarial fees	**248**	340
Legal fees	**40**	33
General and administrative expenses	**11**	13
	$ 909	$ 989

9. *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, 2013, $16,546,000 had been funded.

10. *Comparative Figures*

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

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

STATEMENT OF FINANCIAL POSITION

As at December 31
(Unaudited)

	2013 (000's)	2012 (000's)
ASSETS		
Investments, at fair value		
Bonds and debentures	**$ 10,291**	$ 56,710
Canadian equities	**-**	43,996
Short-term deposits	**128,069**	30,475
	138,360	131,181
Accrued interest	**96**	223
Employers' contributions receivable	**1**	
Accounts receivable	**95**	69
Due from The Winnipeg Civic Employees' Pension Plan	**4**	3
Total Assets	**138,556**	131,476
LIABILITIES		
Accounts payable	**464**	361
Total Liabilities	**464**	361
NET ASSETS (Note 4)	**138,092**	131,115
BENEFIT OBLIGATIONS		
Civic Employees' (Note 5)	**74,307**	94,803
Police Employees' (Note 6)	**18,434**	24,534
	92,741	119,337
SURPLUS	**$ 45,351**	$ 11,778
SURPLUS (DEFICIT) COMPRISED OF:		
Civic Employees' (Note 5)	**$ 38,562**	$ 12,843
Police Employees' (Note 6)	**6,789**	(1,065)
	$ 45,351	$ 11,778

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
(Unaudited)

	2013 (000's)	2012 (000's)
INCREASE IN ASSETS		
Contributions		
City of Winnipeg and participating employers	**$ 1,942**	$ 1,165
Employees - basic	**1,950**	1,166
Employees - optional	**448**	378
Pensioners	**345**	206
	4,685	2,915
Investment income (Note 8)	**1,872**	2,701
Current period change in fair value of investments	**2,770**	2,041
Total increase in assets	**9,327**	7,657
DECREASE IN ASSETS		
Administration	**167**	162
Actuarial fees	**82**	28
Legal fees	**43**	13
Benefit payments	**3,580**	4,057
Investment management fees	**22**	27
Claims administration and taxes	**210**	230
Total decrease in assets	**4,104**	4,517
Increase in net assets	**5,223**	3,140
Net assets at beginning of year	**107,646**	104,506
Net assets at end of year	**$ 112,869**	$ 107,646

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
(Unaudited)

	2013 (000's)	2012 (000's)
ACCRUED BENEFITS, BEGINNING OF YEAR	**$ 94,803**	$ 89,083
INCREASE IN ACCRUED BENEFITS		
Interest accrued on benefits	**3,628**	3,490
Benefits accrued	**3,691**	3,532
Changes in actuarial assumptions	**-**	1,397
Total increase in accrued benefits	**7,319**	8,419
DECREASE IN ACCRUED BENEFITS		
Benefits paid	**2,335**	2,699
Experience gains and losses and other factors	**6,134**	-
	19,346	-
Total decrease in accrued benefits	**27,815**	2,699
NET INCREASE IN ACCRUED BENEFITS FOR THE YEAR	**(20,496)**	5,720
ACCRUED BENEFITS, END OF YEAR	**$ 74,307**	$ 94,803

STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

For the years ended December 31
(Unaudited)

	2013 (000's)	2012 (000's)
SURPLUS, BEGINNING OF YEAR	**$ 12,843**	$ 15,423
Increase in net assets for the year	**5,223**	3,140
Net decrease (increase) in accrued benefits for the year	**20,496**	(5,720)
SURPLUS, END OF YEAR	**$ 38,562**	$ 12,843

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
(Unaudited)

	2013 (000's)	2012 (000's)
INCREASE IN ASSETS		
Contributions		
City of Winnipeg	**$ 556**	$ 282
Employees - basic	**558**	283
Employees - optional	**80**	67
Pensioners	**107**	51
	1,301	683
Investment income (Note 8)	**406**	590
Current period change in fair value of investments	**604**	447
Total increase in assets	**2,311**	1,720
DECREASE IN ASSETS		
Administration	**36**	35
Actuarial fees	**23**	20
Legal fees	**1**	3
Benefit payments	**455**	1,004
Investment management fees	**5**	6
Claims administration and taxes	**37**	42
Total decrease in assets	**557**	1,110
Increase in net assets	**1,754**	610
Net assets at beginning of year	**23,469**	22,859
Net assets at end of year	**$ 25,223**	$ 23,469

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
(Unaudited)

	2013 (000's)	2012 (000's)
ACCRUED BENEFITS, BEGINNING OF YEAR	**$ 24,534**	$ 22,497
INCREASE IN ACCRUED BENEFITS		
Interest accrued on benefits	**944**	891
Benefits accrued	**1,122**	1,132
Changes in actuarial assumptions	**-**	473
Total increase in accrued benefits	**2,066**	2,496
DECREASE IN ACCRUED BENEFITS		
Benefits paid	**481**	459
Experience gains and losses and other factors	**2,223**	-
Change in actuarial assumptions	**5,462**	-
Total decrease in accrued benefits	**8,166**	459
NET (DECREASE) INCREASE IN ACCRUED BENEFITS FOR THE YEAR	**(6,100)**	2,037
ACCRUED BENEFITS, END OF YEAR	**$ 18,434**	$ 24,534

STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

For the years ended December 31
(Unaudited)

	2013 (000's)	2012 (000's)
(DEFICIT) SURPLUS, BEGINNING OF YEAR	**$ (1,065)**	$ 362
Increase in net assets for the year	**1,754**	610
Net decrease (increase) in accrued benefits for the year	**6,100**	(2,037)
(DEFICIT) SURPLUS, END OF YEAR	**$ 6,789**	$ (1,065)

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, 2013
(Unaudited)

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 insurance plan. Plan members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. Plan members and the City share equally in the cost of the basic life insurance coverage until retirement. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Plan is administered by The Board of Trustees of The Winnipeg Civic Employees’ Benefits Program (Pension Fund). The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

b) Police Employees’ Group Life Insurance Plan

All police officers are required to become members of the Plan commencing on their date of employment. Plan members are covered for basic life insurance coverage of two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance until retirement. Coverage on the life of disabled members continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Winnipeg Police Pension Board is responsible for the administration of the Plan. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

2. *Summary of Significant Accounting Policies*

a) Basis of presentation

These financial statements are prepared in accordance with Canadian 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.

b) Investments and investment income

Investments are stated at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. The fixed income investments are valued either using published market prices or by applying valuation techniques that utilize observable market inputs. The equity investments are valued using published market prices. Short-term deposits are recorded at costs, 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.

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 Change*

In accordance with the Accounting Standards for Pension Plans, the Plan is applying International Financial Reporting Standard (“IFRS”) 13, Fair Value Measurement, for the first time in the current year for the measurement of its investment assets. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instruments for which other IFRSs and accounting standards require or permit fair value measurements and disclosures about fair value measurements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. In some instances, the disclosure requirements in IFRS 13 are more extensive than those previously required by the Standards.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the new disclosure requirements set out in IFRS 13 in the comparative information provided for periods before the initial application of the standard. In accordance with theses transitional provisions, the Plan has not made any new disclosures required by IFRS 13 for the 2012 comparative period. The application of IFRS 13 has not had any material impact on the amounts recognized or disclosures made in the financial statements.

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 performed as of December 31, 2013 by Eckler Ltd. This valuation was used 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, 2013. For comparative 2012 figures, the actuarial present value of accrued post-retirement basic life insurance benefits at December 31, 2012 is based on the extrapolation of the results of the December 31, 2010 actuarial vaulation performed by Mercer (Canada) Limited. The assumptions used were approved by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund). 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 4.30% (2012 Extrapolation - 3.80%) per year and general increases in pay of 3.50% (2012 Extrapolation - 3.50%) per year. The change in the valuation interest rate from 3.80% to 4.30% decreased the obligation for post-retirement basic life insurance benefits by $7,169,000. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. Revising the mortaility assumptions, including assuming mortatilty improvements, decreased the obligation for post-retirement basic life insurance benefits by $9,751,000. 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, 2013 disclosed an actuarial surplus of $ 33,342,000 (2010 - $26,886,000) and a contingency reserve in the amount of $7,431,000 (2010 - $7,481,000).

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 effect 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:

	2013 **(000's)**	2012 (000's)
Surplus for financial statement reporting purposes	**$ 38,562**	$ 12,843
Fair value changes not reflected in actuarial value of assets	**2,211**	3,695
Surplus for actuarial valuation purposes, as estimated	**$ 40,773**	$ 16,538

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 performed as of December 31, 2013 by Eckler Ltd. This valuation was used to determine the acturial present value of accrued post-retirement basic life insurance benefits disclosed in the Statement of Financial Position as at December 31, 2013. For the comparative 2012 figures, the actuarial present value of the accrued post-retirement basic life insurance benefits at December 31, 2013 is basod ont eh extrap[olation of the results of the December 31, 2010 actuarial valuation performed by Mercer (Canada) Limited. The assumptions used were approved by the Winnipeg Police Pension Board. 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 4.30% (2012 Extrapolation -3.80%) per year and general increases in pay of 3.25% (2012 Extrapolation - 3.50%) per year. The change in valuation interest rate from 3.80% to 4.30% decreased the obligation for post-retirement basic life insurance benefits by $2,273,000. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. Revising the mortality assumptions, including assuming mortality improvements, decreased the obligations for post-retirement basic life insurance benefits by $3,015,000. he actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2013 disclosed an actuarial surplus of $5,436,000 (2010 - $3,710,000) and a contingency reserve in the amount of $1,843,000 (2010 - $1,819,000).

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 effect 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:

	2013 (000's)	2012 (000's)
Surplus (deficit) for financial statement reporting purposes	**$ 6,789**	$ (1,065)
Fair value changes not reflected in actuarial value of assets	**490**	803
Surplus (deficit) for actuarial valuation purposes, as estimated	**$ 7,279**	$ (262)

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 and, by diversifying the investment portfolio within the constraints of the investment policy and objectives. 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, 2013, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $138,456,000 (2012 - $87,408,000).

7. *Management of Financial Risk (continued)*

a) Credit risk (continued)

The Plan's concentration of credit risk as at December 31, 2013, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	**2013 Fair Value (000's)**	2012 Fair Value (000's)
Government of Canada and Government of Canada guaranteed	**$ 764**	$ 31,402
Provincial and Provincial guaranteed	**2,089**	4,717
Canadian cities and municipalities	**1,756**	6,133
Corporations and other institutions	**5,682**	14,458
	$ 10,291	$ 56,710

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $125,936,000 (2012 - $29,362,000) at December 31, 2013.

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:

	2013		2012	
Credit Rating	**Percent of Total Bonds**	**Percent of Net Assets**	Percent of Total Bonds	Percent of Net Assets
AAA	**19.3**	**41.4**	70.3	30.4
AA	**60.6**	**4.5**	21.5	9.3
A	**8.6**	**0.7**	3.8	1.7
BBB	**2.6**	**0.2**	0.5	0.2
BB	**8.9**	**0.7**	3.9	1.7
	100.0	**47.5**	100.0	43.3

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.

7. *Management of Financial Risk (continued)*

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 100% (2012 - 66%) of its assets invested in fixed income securities as at December 31, 2013. 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, 2013 are as follows:

Term to Maturity	**2013 Fair Value (000's)**	2012 Fair Value (000's)
Less than one year	**$ 4,324**	$ 27,667
One to five years	**5,169**	9,154
Greater than five years	**798**	19,889
	$ 10,291	$ 56,710

As at December 31, 2013, had prevailing interest rates raised or lowered by 0.5% (2012 - 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 $85,000 (2012 - $888,000), approximately 0.1% of total net assets (2012 - 0.7%). 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) 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.

7. *Management of Financial Risk (continued)*

e) 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 present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2013 and December 31, 2012, classified using the fair value hierarchy described above:

	Level 1 (000's)	**Level 2** (000's)	**Level 3** (000's)	**2013 Total Investment Assets at Fair Value** (000's)
Bonds and debentures	**$ 262**	**$ 10,029**	**$**	**$ 10,291**
Canadian equities				**-**
Cash and short-term deposits	**128,069**	**138,360**		**266,429**
	$ 128,331	**$ 148,389**	**$ -**	**$ 276,720**

f) Fair value hierarchy (continued)

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	2012 Total Investment Assets at Fair Value (000's)
Bonds and debentures	$ 254	$ 56,456	$ -	$ 56,710
Canadian equities	43,996	-	-	43,996
Cash and short-term deposits	30,475	-	-	30,475
	$ 74,725	$ 56,456	$ -	$ 131,181

During the year, there has been no significant transfer of amounts between Level 1 and Level 2.

8. *Investment Income*

	2013 (000's)	2012 (000's)
Bonds and debentures	**$ 1,804**	$ 1,919
Canadian equities	**51**	1,077
Foreign equities	**-**	25
Cash and short-term deposits	**423**	270
	$ 2,278	$ 3,291
Allocated to:		
Civic Employees'	**$ 1,872**	$ 2,701
Police Employees'	**406**	590
	$ 2,278	$ 3,291

9. *Investment Transaction Costs*

During 2013, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $7,000 (2012 - $50,000). Investment transaction costs are included in the current period change in market value of investments.

10. *Income Tax Status of the Plans*

On February 28, 2013, the Canada Revenue Agency (CRA) verbally informed the City of Winnipeg that, in its view, the assets held in the Plans constituted assets that were being held in trust funds and should be reported for income tax purposes as such. CRA further informed that it was prepared to accept the trusts commencing their income tax reporting on a prospective basis starting with the 2013 year, such that years prior to 2013 would not need to be reported. On November 26, 2013, CRA informed the City of Winnipeg in writing that it has extended this administrative relief to December 31, 2013. The City of Winnipeg is continuing discussions with CRA to either maintain the tax-exempt status of the Plans or restructure the Plans so as to minimize or eliminate future liabilities for income tax.

PHOTO: Red River Exhibition

THE CITY OF WINNIPEG
TABLE OF FINANCIAL STATISTICS AND SELECTED RATIOS

FIVE-YEAR REVIEW

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

		2013	2012	2011	2010	2009
Population (Statistics Canada)		**699,300**	689,300	677,800	669,400	663,000
Consolidated debt (1)	**$**	**995,633**	1,057,198	800,928	715,089	678,517
Net tax-supported debt (2)	**$**	**554,127**	527,602	312,098	235,853	204,816
Debt per capita:						
Consolidated (dollars)	**$**	**1,424**	1,534	1,182	1,068	1,023
Net tax-supported (dollars)	**$**	**792**	765	460	352	309
Non-portioned taxable assessments (millions) (3)	**$**	**62,919**	64,293	56,287	55,648	32,420
Debt as a % of non-portioned taxable assessments						
Consolidated		**1.6%**	1.6%	1.4%	1.3%	2.1%
Net tax-supported		**0.9%**	0.8%	0.6%	0.4%	0.6%
Consolidated revenues (4)	**$**	**1,619,258**	1,497,141	1,469,610	1,353,856	1,343,648
Consolidated debt as a % of consolidated revenues		**61.5%**	70.6%	54.5%	52.8%	50.5%

Notes:

(1) Consolidated debt is gross debt outstanding, including premiums and discounts, for all municipal purposes - tax-supported, City-owned utilities, special operating agencies, and wholly-owned corporations.

(2) Net tax-supported debt is gross debt of the General Capital and Transit System Funds net of sinking funds.

(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.

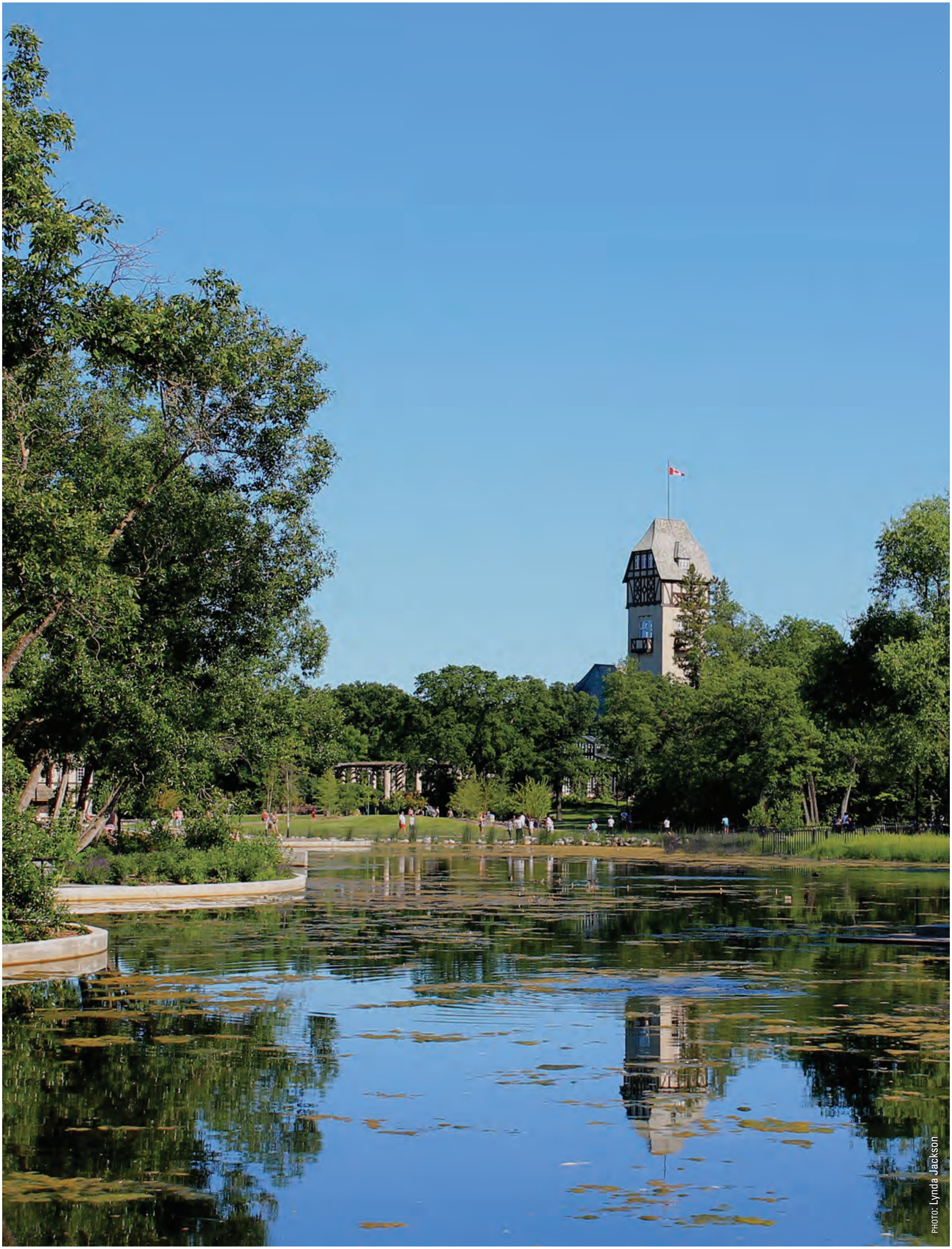

PHOTO: Lynda Jackson

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

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS
As at December 31, 2013

		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
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	50,000,000	-	-	-	-	-	50,000,000
150/2009	January 27/10		-	-	69,865,000	3,450,000	-	73,315,000
	July 12/10	-	-	-	-	-	3,400,000	3,400,000
	March 23/11	-	-	-	-	-	6,700,000	6,700,000
93/2011	September 28/11	37,342,000	-	-	-	-	-	37,342,000
144/2011	January 25/12	45,967,000	-	-	-	1,250,000	-	47,217,000
	March 21/12	-	-	-	-	-	7,200,000	7,200,000
	November 14/12	-	-	-	-	-	11,300,000	11,300,000
100/2012	December 12/12	51,000,000	-	-	-	-	-	51,000,000
23/2013	March 20, 2013	28,789,000	8,587,000	-	19,858,000	9,200,000	-	66,434,000
		$ 311,996,958	$ 22,901,325	$ 16,800,000	$ 201,360,000	$ 13,900,000	$ 28,600,000	$ 595,558,283

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, 2013

Outstanding Capital Borrowing Authorization at December 31, 2012	$	586,824,283
Add:		
By-law 23/2013		66,434,000
By-law 84/2013		16,008,000
Deduct:		
Debt Issued		(60,000,000)
By-law 150/2009 cancellation		(13,708,000)
Outstanding Capital Borrowing Authorization at December 31, 2013	$	595,558,283

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

DEBENTURE DEBT ISSUES

As at December 31, 2013

Term	Month	Interest Rate	By-Law Number		Amount of Debt
The City of Winnipeg					
Sinking Fund Debt					
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	183/2004 & 72/2006		60,000,000
2008-2036	July 17	5.200	72/2006 & 32/2007		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
2012-2051	Nov. 15	3.853	93/2011		50,000,000
2012-2051	Nov. 15	3.759	120/09 & 93/11 & 138/11		75,000,000
2013-2051	Nov. 15	4.391	93/2011 & 84/2013		60,000,000
					658,000,000
Serial Debt					
2004-2014	Mar. 24	4.600	86/2003	$ 5,533,000	
2009-2019	Oct. 6	4.500	46/2007 & 31/2009	29,088,000	34,621,000
Total Debt					$ 692,621,000

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

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE

As at December 31, 2013

Description	Debenture Debt		
	Gross	**Sinking Fund**	**Net**
Tax-Supported			
General	$ 285,473,640	$ 92,712,944	$ 192,760,696
Unallocated Sinking Fund Deficit	-	(9,403,901)	9,403,901
Total Tax-Supported	285,473,640	83,309,043	202,164,597
Other Funds			
Municipal Accommodations	68,760,674	8,294,310	60,466,364
Transit System	103,935,696	15,986,692	87,949,004
Total Tax-Supported and Other Funds	458,170,010	107,590,045	350,579,965
City-Owned Utilities			
Solid Waste Disposal	1,000,000	877,952	122,048
Waterworks System	198,000,000	52,916,411	145,083,589
Sewage Disposal System	35,450,990	33,852,947	1,598,043
Total City-Owned Utilities	234,450,990	87,647,310	146,803,680
	$ 692,621,000	$ 195,237,355	$ 497,383,645

Description	2014 Fixed Annual Charges		
	Interest	**Principal**	**Total**
Tax-Supported	$ 11,513,386	$ 12,433,525	$ 23,946,911
Other Funds			
Municipal Accommodations	7,149,715	2,723,989	9,873,704
Transit System	5,547,470	1,923,536	7,471,006
Total Tax-Supported and Other Funds	24,210,571	17,081,050	41,291,621
City-Owned Utilities			
Solid Waste Disposal	91,250	30,243	121,493
Waterworks System	11,641,250	3,985,218	15,626,468
Sewage Disposal System	2,804,717	1,509,481	4,314,198
Total City-Owned Utilities	14,537,217	5,524,942	20,062,159
	$ 38,747,788	$ 22,605,992	$ 61,353,780

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

DEBENTURE DEBT CHANGES DURING 2013

Gross Debt as at January 1, 2013			$ 744,884,000
Debt Issued During 2013			
Tax-Supported Debt:			
Police		$ 43,992,000	
Utilities Debt:			
Municipal Accommodations		16,008,000	60,000,000
Sub-total			804,884,000
Debt Retired During 2013			
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	254,080		
Core Area Programs	1,814,244		
Corporate Finance - Special Projects	5,576		
Culture and Recreation	1,431,738		
Fire	1,363,201		
Health and Social Development	596,622		
Infrastructure	130,116		
Infrastructure - Land Drainage	88,065		
Infrastructure - Parks and Recreation	19,335		
Infrastructure - Streets and Bridges	123,900		
Land Acquisition	18,600		
Land Drainage	3,503,537		
Land and Development - Special Projects	146,659		
Libraries	174,294		
North Portage Development	180,363		
Overhead Walkways	19,958		
Parks and Recreation	5,722,087		
Parks and Recreation - Special Projects	75,281		
Police	1,795,441		
Protection	725,231		
Special Projects	14,785,438		
Streets and Bridges System	23,455,746		
Winnipeg Development Agreement	123,920	56,755,794	
Utilities Debt:			
Transit	5,772,818		
Waterworks System	5,000,000		
Sewage Disposal System	41,658,804		
Municipal Accommodations	3,075,584	55,507,206	(112,263,000)
Gross Debt as at December 31, 2013			$ 692,621,000

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

DEBENTURE DEBT - MATURITY BY YEARS
As at December 31, 2013

Maturity Year	Sinking Fund Debt	Serial and Installment Debt	Total	%
2014	$ 85,000,000	$ 10,381,000	$ 95,381,000	13.77
2015	88,000,000	4,848,000	92,848,000	13.41
2016	-	4,848,000	4,848,000	0.70
2017	30,000,000	4,848,000	34,848,000	5.03
2018	-	4,848,000	4,848,000	0.70
2019	-	4,848,000	4,848,000	0.70
2036	160,000,000	-	160,000,000	23.10
2041	60,000,000	-	60,000,000	8.66
2051	235,000,000	-	235,000,000	33.93
Gross Debt	$ 658,000,000	$ 34,621,000	692,621,000	100.00
Less: Sinking Fund Reserve			195,237,355	
Net Debt			$ 497,383,645	

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

DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES
As at December 31, 2013

Maturity Year	General Tax-Supported	Transit System	Waterworks System	Sewage Disposal System	Solid Waste Disposal	Municipal Accommodations	Total
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	45,250,000	29,750,000	-	-	-	160,000,000	235,000,000
	$ 182,895,642	$ 103,935,696	$ 198,000,000	$ 35,450,990	$ 1,000,000	$ 171,338,672	$ 692,621,000

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**
2014	$ 12,433,525	$ 11,513,386	$ 23,946,911	$ 10,172,467	$ 27,234,402	$ 37,406,869	$ 61,353,780
2015	7,313,296	9,523,768	16,837,064	7,189,076	22,203,875	29,392,951	46,230,015
2016	5,654,507	4,364,288	10,018,795	6,186,518	19,159,677	25,346,195	35,364,990
2017	5,654,507	4,196,763	9,851,270	6,186,518	19,138,840	25,325,358	35,176,628
2018	4,747,307	2,146,247	6,893,554	6,186,518	19,117,010	25,303,528	32,197,082
2019	4,747,307	1,958,808	6,706,115	6,186,518	19,093,698	25,280,216	31,986,331
2020-2036	7,405,035	30,778,500	38,183,535	96,053,983	324,279,250	420,333,233	458,516,768
2037-2041	2,177,955	9,052,500	11,230,455	14,071,170	53,776,250	67,847,420	79,077,875
2042-2051	4,355,905	18,105,000	22,460,905	18,876,275	76,652,500	95,528,775	117,989,680
	$ 54,489,344	$ 91,639,260	$ 146,128,604	$ 171,109,043	$ 580,655,502	$ 751,764,545	$ 897,893,149

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE
As at December 31, 2013

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2014 Interest	Annual Charges 2014 Principal	Sinking Fund Reserve at Dec. 31, 2013
STREETS AND BRIDGE SYSTEM								
(street improvements, street lighting, bridges and underpasses)								
6300/94	$ 11,509,146	Jan. 20, 1994-2014	CAN	5.000	8.000	$ 920,732	$ 348,066	$ 11,131,957
86/2003	2,464,322	Mar. 24, 2004-2014	CAN	Serial	4.600	25,777	2,464,322	-
6620/95	22,633,969	May 12, 1995-2015	CAN	5.000	9.125	2,065,350	684,510	19,871,530
7000/97	20,700,000	Nov. 17, 1997-2017	CAN	5.000	6.250	1,293,750	625,968	14,898,092
46/2007 & 31/2009	14,701,744	Nov. 15, 2011-2051	CAN	Serial	4.500	555,541	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	359,322
120/09 & 93/11 & 138/11	25,000,000	Nov. 15, 2012-2051	CAN	4.500	3.759	939,750	246,392	247,789
	115,709,181					6,605,000	6,994,266	46,508,690
LAND DRAINAGE								
(storm water relief sewers, drainage sewers and flood control)								
6300/94	2,625,312	Jan. 20, 1994-2014	CAN	5.000	8.000	210,025	79,396	2,539,273
86/2003	625,833	Mar. 24, 2004-2014	CAN	Serial	4.600	6,546	625,833	-
6620/95	2,251,500	May 12, 1995-2015	CAN	5.000	9.125	205,449	68,091	1,976,708
7000/97	4,900,000	Nov. 17, 1997-2017	CAN	5.000	6.250	306,250	148,176	3,526,601
46/2007 & 31/2009	2,190,652	Oct. 6, 2009-2019	CAN	Serial	4.500	82,779	365,109	-
	12,593,297					811,049	1,286,605	8,042,582
CULTURE AND RECREATION								
(parks, swimming pools, arenas, golf courses, zoo, libraries, etc.)								
86/2003	166,390	Mar. 24, 2004-2014	CAN	Serial	4.600	1,740	166,390	-

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2013

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2014 Interest	Annual Charges 2014 Principal	Sinking Fund Reserve at Dec. 31, 2013
PARKS AND RECREATION								
6300/94	5,648,659	Jan. 20, 1994-2014	CAN	5.000	8.000	451,893	170,830	5,463,536
86/2003	79,992	Mar. 24, 2004-2014	CAN	Serial	4.600	837	79,992	-
6620/95	850,000	May 12, 1995-2015	CAN	5.000	9.125	77,563	25,706	746,259
46/2007 & 31/2009	1,708,586	Oct. 6, 2009-2019	CAN	Serial	4.500	64,563	284,764	-
	8,287,237					594,856	561,292	6,209,795
LIBRARIES								
6300/94	73,040	Jan. 20, 1994-2014	CAN	5.000	8.000	5,843	2,209	70,646
86/2003	32,255	Mar. 24, 2004-2014	CAN	Serial	4.600	337	32,255	-
6620/95	10,000	May 12, 1995-2015	CAN	5.000	9.125	913	302	8,780
46/2007 & 31/2009	259,966	Oct. 6, 2009-2019	CAN	Serial	4.500	9,823	43,328	-
	375,261					16,916	78,094	79,426
PROTECTION **(fire halls, police garage and public safety building)**								
86/2003	147,816	Mar. 24, 2004-2014	CAN	Serial	4.600	1,546	147,816	-

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2013

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2014 Interest	Annual Charges 2014 Principal	Sinking Fund Reserve at Dec. 31, 2013
FIRE								
6300/94	13,791	Jan. 20, 1994-2014	CAN	5.000	8.000	1,103	417	13,339
86/2003	39,790	Mar. 24, 2004-2014	CAN	Serial	4.600	416	39,790	-
6620/95	2,000	May 12, 1995-2015	CAN	5.000	9.125	183	60	1,756
7000/97	1,800,000	Nov. 17, 1997-2017	CAN	5.000	6.250	112,500	54,432	1,295,486
46/2007 & 31/2009	150,005	Oct. 6, 2009-2019	CAN	Serial	4.500	5,668	25,001	-
	2,005,586					119,870	119,700	1,310,581
POLICE								
6300/94	335,678	Jan. 20, 1994-2014	CAN	5.000	8.000	26,854	10,152	324,677
86/2003	7,741	Mar. 24, 2004-2014	CAN	Serial	4.600	81	7,741	-
6620/95	100,000	May 12, 1995-2015	CAN	5.000	9.125	9,125	3,024	87,795
46/2007 & 31/2009	1,128,055	Oct. 6, 2009-2019	CAN	Serial	4.500	42,626	188,009	-
93/2011	50,000,000	Nov. 15, 2012-2051	CAN	4.500	3.853	-	-	495,578
120/09 & 93/11 & 138/11	8,586,000	Nov. 15, 2012-2051	CAN	4.500	3.759	-	-	85,101
93/2011 & 84/2013	43,992,000	Nov. 15, 2013-2051	CAN	4.500	4.391	-	-	-
	104,149,474					78,686	208,926	993,151
HEALTH AND SOCIAL DEVELOPMENT **(urban renewal, community health centres and hospital capital grants)**								
6300/94	12,723	Jan. 20, 1994-2014	CAN	5.000	8.000	1,018	385	12,306
86/2003	142,907	Mar. 24, 2004-2014	CAN	Serial	4.600	1,495	142,907	-
	155,630					2,513	143,292	12,306

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2013

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2014 Interest	Annual Charges 2014 Principal	Sinking Fund Reserve at Dec. 31, 2013
SPECIAL PROJECTS								
6300/94	2,267,324	Jan. 20, 1994-2014	CAN	5.000	8.000	181,386	68,570	2,193,017
86/2003	166,139	Mar. 24, 2004-2014	CAN	Serial	4.600	1,738	166,139	-
6620/95	667,000	May 12, 1995-2015	CAN	5.000	9.125	60,864	20,172	585,594
46/2007 & 31/2009	240,000	Oct. 6, 2009-2019	CAN	Serial	4.500	9,069	40,000	-
	3,340,463					253,057	294,881	2,778,611
CONVENTION CENTRE								
6620/95	3,100,000	May 12, 1995-2015	CAN	5.000	9.125	282,875	93,752	2,721,650
OVERHEAD WALKWAYS								
86/2003	20,788	Mar. 24, 2004-2014	CAN	Serial	4.600	217	20,788	-
CORE AREA PROGRAM								
86/2003	526,857	Mar. 24, 2004-2014	CAN	Serial	4.600	5,511	526,857	-
6620/95	235,000	May 12, 1995-2015	CAN	5.000	9.125	21,444	7,107	206,319
7000/97	1,000,000	Nov. 17, 1997-2017	CAN	5.000	6.250	62,500	30,240	719,715
	1,761,857					89,455	564,204	926,034
LAND ACQUISITION								
86/2003	19,374	Mar. 24, 2004-2014	CAN	Serial	4.600	203	19,374	-

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2013

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2014 Interest	Annual Charges 2014 Principal	Sinking Fund Reserve at Dec. 31, 2013
INFRASTRUCTURE								
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,064	21,948,792
46/2007 & 31/2009	780,697	Oct. 6, 2009-2019	CAN	Serial	4.500	29,501	130,116	-
	25,780,697					2,310,751	886,180	21,948,792
INFRASTRUCTURE - LAND DRAINAGE								
46/2007 & 31/2009	528,390	Oct. 6, 2009-2019	CAN	Serial	4.500	19,967	88,065	-
INFRASTRUCTURE - PARKS AND RECREATION								
46/2007 & 31/2009	116,010	Oct. 6, 2009-2019	CAN	Serial	4.500	4,384	19,335	-
INFRASTRUCTURE - STREETS AND BRIDGES								
7000/97	1,600,000	Nov. 17, 1997-2017	CAN	5.000	6.250	100,000	48,384	1,151,543
46/2007 & 31/2009	743,400	Oct. 6, 2009-2019	CAN	Serial	4.500	28,091	123,900	-
	2,343,400					128,091	172,284	1,151,543
COMMUNITY IMPROVEMENT PROGRAM								
46/2007 & 31/2009	464,700	Oct. 6, 2009-2019	CAN	Serial	4.500	17,560	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	29,783

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2013

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2014 Interest	Annual Charges 2014 Principal	Sinking Fund Reserve at Dec. 31, 2013
WINNIPEG DEVELOPMENT AGREEMENT								
46/2007 & 31/2009	743,520	Oct. 6, 2009-2019	CAN	Serial	4.500	28,096	123,920	-
SPECIAL PROJECTS - PARKS AND RECREATION								
46/2007 & 31/2009	451,688	Oct. 6, 2009-2019	CAN	Serial	4.500	17,068	75,281	-
SPECIAL PROJECTS - COMMUNITY SERVICES								
46/2007 & 31/2009	159,299	Oct. 6, 2009-2019	CAN	Serial	4.500	6,020	26,550	-
SPECIAL PROJECTS - LAND AND DEVELOPMENT								
46/2007 & 31/2009	879,956	Oct. 6, 2009-2019	CAN	Serial	4.500	33,251	146,660	-
SPECIAL PROJECTS - ASSESSMENT								
46/2007 & 31/2009	588,310	Oct. 6, 2009-2019	CAN	Serial	4.500	22,231	98,052	-
SPECIAL PROJECTS - CORPORATE FINANCE								
46/2007 & 31/2009	33,458	Oct. 6, 2009-2019	CAN	Serial	4.500	1,264	5,576	-
SPECIAL PROJECTS - BUSINESS LIAISON								
46/2007 & 31/2009	1,858	Oct. 6, 2009-2019	CAN	Serial	4.500	70	310	-
Tax-Supported Total	**285,473,640**					**11,513,386**	**12,433,525**	**92,712,944**

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

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE
As at December 31, 2013

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2014 Interest	Annual Charges 2014 Principal	Sinking Fund Reserve at Dec. 31, 2013
TRANSIT SYSTEM								
6300/94	6,500,000	Jan. 20, 1994-2014	CAN	5.000	8.000	520,000	196,577	6,286,976
86/2003	235,696	Mar. 24, 2004-2014	CAN	Serial	4.600	2,465	235,696	-
6620/95	7,000,000	May 12, 1995-2015	CAN	5.000	9.125	638,750	211,698	6,145,661
46/2007 & 31/2009	450,000	Oct. 6, 2009-2019	CAN	Serial	4.500	17,005	75,000	-
183/2008	60,000,000	June 3, 2010-2041	CAN	4.500	5.150	3,090,000	926,607	2,982,406
72/06 & 183/08 & 150/09	29,750,000	Nov. 15, 2011-2051	CAN	4.500	4.300	1,279,250	277,959	571,649
	103,935,696					5,547,470	1,923,537	15,986,692
WATERWORKS SYSTEM								
6300/94	13,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	1,040,000	393,154	12,573,952
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,064	21,948,791
183/04 & 72/06	60,000,000	July 17, 2006-2036	CAN	4.500	5.200	3,120,000	984,000	8,053,310
72/06 & 32/07	100,000,000	July 17, 2008-2036	CAN	4.500	5.200	5,200,000	1,852,000	10,340,358
	198,000,000					11,641,250	3,985,218	52,916,411
SEWAGE DISPOSAL SYSTEM								
6300/94	35,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	2,800,000	1,058,491	33,852,947
86/2003	450,990	Mar. 24, 2004-2014	CAN	Serial	4.600	4,717	450,990	-
	35,450,990					2,804,717	1,509,481	33,852,947
SOLID WASTE DISPOSAL								
6620/95	1,000,000	May 12, 1995-2015	CAN	5.000	9.125	91,250	30,243	877,951

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

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2013

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2014 Interest	Annual Charges 2014 Principal	Sinking Fund Reserve at Dec. 31, 2013
MUNICIPAL ACCOMMODATIONS								
6300/94	8,014,327	Jan. 20, 1994-2014	CAN	5.000	8.000	641,146	242,374	7,751,674
86/2003	406,110	Mar. 24, 2004-2014	CAN	Serial	4.600	4,248	406,110	-
6620/95	150,531	May 12, 1995-2015	CAN	5.000	9.125	13,736	4,552	132,159
46/2007 & 31/2009	2,767,706	Oct. 6, 2009-2019	CAN	Serial	4.500	104,585	461,283	-
120/09 & 93/11 & 138/11	41,414,000	Nov. 15, 2012-2051	CAN	4.500	3.759	1,556,752	408,163	410,478
93/2011 & 84/2013	16,008,000	Nov. 15, 2013-2051	CAN	4.500	4.391	688,344	166,510	-
93/2011		Nov. 15, 2012-2051	CAN	4.500	3.853	1,926,500	492,784	-
120/09 & 93/11 & 138/11		Nov. 15, 2012-2051	CAN	4.500	3.759	322,748	84,621	-
93/2011 & 84/2013		Nov. 15, 2013-2051	CAN	4.500	4.391	1,891,656	457,591	-
	68,760,674					7,149,715	2,723,988	8,294,311
Utility Total	**407,147,360**					**27,234,402**	**10,172,467**	**111,928,312**
Unallocated Sinking Fund Deficit								(9,403,901)
Grand Total	**$ 692,621,000**					**$ 38,747,788**	**$ 22,605,992**	**$ 195,237,355**

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: Assiniboine Park Conservancy