



Winnipeg  
2003



Detailed Financial Statements  
COMPANION TO 2003 ANNUAL REPORT

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# **REPORT FROM THE CHIEF FINANCIAL OFFICER**

## **FINANCIAL STATEMENT DISCUSSION AND ANALYSIS**

I am pleased to present The City of Winnipeg's 2003 consolidated financial statements, which are prepared in accordance with Canadian general accepted accounting principles. Management has also prepared the following Financial Statement Discussion and Analysis, which comments on how the financial resources of the City are being managed, and should be read along with the audited financial statements.

### **Results of Operations**

The Consolidated Statement of Operations and Surplus reports the results of operations for 2003, on a comparative basis. During the year, The City of Winnipeg recorded revenues of \$961.4 million and expenses of \$911.0 million, which resulted in a \$50.4 million increase in accumulated surpluses and reserves. Consolidated revenues increased in 2003 by \$30.5 million from 2002 mainly due to a \$22.7 million increase in sales of services and regulatory fees. Commencing January 1, 2003, photo radar was introduced by the Winnipeg Police Service as a traffic safety initiative. The first year of operations generated \$9.7 million in regulation revenue offset by approximately \$7.8 million in expenses. The City's Utility operations experienced increased revenue of \$6.4 million. This was generated by a transit revenue increase as well as higher water and sewer consumption.

Consolidated expenses grew by \$16.2 million from the previous year which represents a number of increases and decreases in different areas. The major increase was the result of an additional \$17.2 million being spent in protection and community services operating costs. Included in the protection and community service category are Police Service, Fire Paramedic Service, and Community Services. During 2003, these departments experienced wage increases resulting from negotiated labour settlements and increased staff complements. As previously mentioned, the Police Service had increased costs partially as a result of the photo radar operations.

The City ended the year with its property tax-supported operations recording a \$0.7 million surplus which was transferred to the Housing Rehabilitation Investment Reserve. The budget for these operations was adopted by City Council on March 19, 2003. During the budget process, the City faced several challenges to produce a balanced budget on the basis of no tax increases. Amongst the challenges were wage pressures, general price increases, maintaining service levels to meet program needs, and infrastructure maintenance and renewal requirements. The result was a budget which embraced the City's commitment to no new borrowing for capital programs, increased funding for public safety and protection of front-line essential services. There continued to be no increase to property taxes after six years of reductions and freezes, and the business tax rate was maintained at its 1996 level.



## **Debt Management**

At the beginning of 2003 the City refinanced \$97.2 million of debentures at 4.88% relating to two sinking fund debentures that matured in 2000 and 2002 and had carried interest rates of 11.75% and 8.87% respectively. In addition, two sinking fund debentures originally issued in 1988 and 1993 in the total amount of \$206.0 million at rates of 10.25% and 8.50% respectively, matured in 2003. One of these issues, net of sinking fund equity, was refinanced on March 24, 2004 in the amount of \$46.4 million at a rate of 4.07%.

During October 2003, Moody's Investors Service raised the City's credit rating from Aa3 to Aa2. The City's fiscal restraint in controlling expenditures while maintaining service levels, and pay-as-you-go financing for tax-supported capital expenditures were among the reasons cited for an improved credit rating.

Since 1998, the City has had a policy of not issuing new tax-supported debt. Under its current capital plan, all new tax-supported projects are financed internally. As a result, the level of tax-supported debt is expected to decrease continuously over the next few years along with the associated debt-servicing costs. On the utility side, the City anticipates issuing \$102.0 million in debt in the near future to finance a water treatment plant estimated to cost \$214.0 million. A Water Treatment Reserve, which was established on December 17, 1993, has a balance at December 31, 2003 of \$79.1 million. It is anticipated that this Reserve will fund 50% of the cost for this project.

## **Capital**

During 2003, the City spent \$164.4 million on capital projects (2002 - \$157.5 million), including \$110.1 million for tax-supported projects. The \$110.1 million was invested primarily in regional and residential streets, the completion of the Provencher Bridge and land drainage.

Capital project costs were financed from several sources, with funding primarily from the City's current tax levies, various capital reserves, and grants from other levels of governments.

## **Reserves**

The City of Winnipeg builds reserves to meet specific future operating and capital expense requirements, and to provide for contingencies. Reserve balances have increased by \$4.2 million overall from the prior year. The City's Capital Reserves grew by \$11.1 million. These Reserves were established to finance current and anticipated future capital projects, which reduce or eliminate the need to issue debt. Special Purpose Reserves, which were established to account for the use of designated revenue for specific purposes, such as a Snow Clearing Reserve, declined by \$9.4 million.

Stabilization Reserves were created to offset the effect of major unexpected expenses in the current operations of the City or fund deficits recorded in the property tax-supported operating budget. During 2003, these Reserves increased by \$2.3 million and are anticipated to grow until they reach a targeted level of 10% of the property tax-supported adopted budget expenses.

## **Investment Policy**

During September 2003, Council adopted The City of Winnipeg Investment Policy. The purpose of the policy is to provide the City with an approved framework for managing its investment program. This policy provides direction and an accountability for administration in the execution and management of investment transactions. It also incorporates industry's best practices to ensure the safety of principal and liquidity of the investments.

The Investment Policy will be reviewed annually in consideration of meeting the City's financial goals, and achieving safety of capital taking into account regulatory standards, technology, and industry best practices.

## **Financing Infrastructure**

As with other municipalities in North America, The City of Winnipeg is experiencing a steady decline in the condition of its infrastructure. Over the past several years preservation of the infrastructure has been seriously strained due to lack of funding. The City undertook a comprehensive review of its infrastructure and found that there is a considerable deferred maintenance component of the infrastructure that will require future consideration. To address deferred maintenance, the City is seeking new funding mechanisms that involves other levels of government.

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

A handwritten signature in dark ink, appearing to read 'R. Gannon', with a long horizontal stroke extending to the left.

Robert P. Gannon  
Chief Financial Officer







## Consolidated Financial Statements





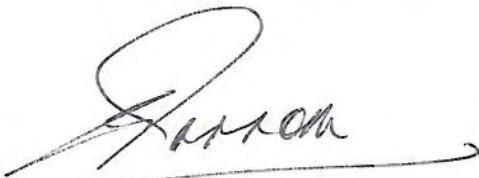
## RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee - the Mayor, the Deputy Mayor, and the chairpersons of Council's Standing Committees. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors.

Ernst & Young LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'R. Gannon', with a long horizontal flourish extending to the right.

Robert P. Gannon  
Chief Financial Officer

## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of **The City of Winnipeg** as at December 31, 2003 and the consolidated statements of operations and surplus, reserve funds, cash flows and change in net financial liabilities for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg** as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Ernst & Young LLP*

Winnipeg, Canada,  
April 2, 2004

Chartered Accountants

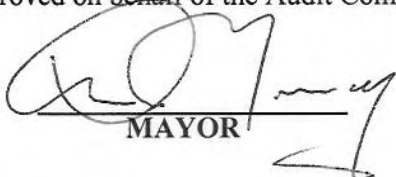
**THE CITY OF WINNIPEG  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u> (Restated Note 21)
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments	\$ 361,951	\$ 313,781
Accounts receivable (Note 3)	122,607	107,096
Investments (Note 4)	<u>365,890</u>	<u>359,240</u>
	<u>850,448</u>	<u>780,117</u>
<b>LIABILITIES</b>		
Notes payable (Note 5)	113,874	85,650
Accounts payable and accrued liabilities (Note 6)	127,979	146,721
Deferred revenue	<u>8,373</u>	<u>6,171</u>
	250,226	238,542
Debt (Note 7)	494,672	496,292
Other liabilities (Note 8)	44,514	41,488
Retirement allowance, vacation and other liabilities (Note 9)	<u>112,910</u>	<u>102,485</u>
	902,322	878,807
<b>NET FINANCIAL LIABILITIES</b>	<u>(51,874)</u>	<u>(98,690)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	930,929	927,507
Inventories	10,372	10,037
Prepaid expenses	3,571	3,086
Deferred charges	<u>1,187</u>	<u>1,819</u>
	946,059	942,449
<b>ACCUMULATED SURPLUS AND RESERVES</b>	<u>\$ 894,185</u>	<u>\$ 843,759</u>
Commitments and contingencies (Notes 11, 14 and 18)		
<b>Comprised of:</b>		
Surplus (Note 12)	\$ 596,284	\$ 550,088
Reserves (Note 13)	<u>297,901</u>	<u>293,671</u>
	<u>\$ 894,185</u>	<u>\$ 843,759</u>

*See accompanying notes to the consolidated financial statements*

Approved on behalf of the Audit Committee:

  
MAYOR

  
CHAIRPERSON  
FISCAL ISSUES COMMITTEE



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

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

	<u>2003</u>	<u>2002</u> (Restated Note 21)
<b>REVENUES</b>		
Taxation (Note 14)	\$ 489,996	\$ 484,220
Sales of services and regulatory fees (Note 15)	318,605	295,893
Government grants and transfers (Note 16)	97,082	94,026
Interest	45,504	48,058
Land sales and other revenue	<u>10,242</u>	<u>8,711</u>
Total Revenues	<u>961,429</u>	<u>930,908</u>
<b>EXPENSES</b> (Note 17)		
Protection and community services	281,683	264,492
Utility operations	219,178	223,814
Public works	205,897	202,087
General government	64,486	66,826
Finance and administration	56,296	53,884
Property and development	53,608	53,403
Civic corporations	<u>29,855</u>	<u>30,307</u>
Total Expenses	<u>911,003</u>	<u>894,813</u>
Excess Revenues Over Expenses	50,426	36,095
Allocated (to) from Reserves	<u>(4,230)</u>	<u>12,084</u>
	46,196	48,179
Gain on sale of Winnipeg Hydro (Note 4)	<u>-</u>	<u>227,476</u>
<b>CHANGE IN SURPLUS</b>	46,196	275,655
<b>SURPLUS, BEGINNING OF YEAR</b>	<u>550,088</u>	<u>274,433</u>
<b>SURPLUS, END OF YEAR</b> (Note 12)	<u>\$ 596,284</u>	<u>\$ 550,088</u>

*See accompanying notes to the consolidated financial statements*

**THE CITY OF WINNIPEG  
CONSOLIDATED STATEMENT OF RESERVE FUNDS**

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

	<u>2003</u>	<u>2002</u> (Restated Note 21)
<b><i>INCREASE:</i></b>		
Taxation	\$ 28,383	\$ 16,487
Transfer from operating and capital funds	26,857	49,382
Interest	11,105	10,334
Other revenue	<u>7,467</u>	<u>6,207</u>
	<u>73,812</u>	<u>82,410</u>
<b><i>DECREASE:</i></b>		
Expended during the year		
Transfer to operating and capital funds	54,012	77,756
Expended from Reserves	<u>15,570</u>	<u>16,738</u>
	<u>69,582</u>	<u>94,494</u>
Allocated from (to) operations	4,230	(12,084)
<b><i>BALANCE, BEGINNING OF YEAR</i></b>	<u>293,671</u>	<u>305,755</u>
<b><i>BALANCE, END OF YEAR</i></b> (Note 13)	<u><u>\$ 297,901</u></u>	<u><u>\$ 293,671</u></u>

*See accompanying notes to the consolidated financial statements*

# THE CITY OF WINNIPEG

## CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<u>2003</u>	<u>2002</u> (Restated Note 21)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess Revenues Over Expenses	\$ 50,426	\$ 36,095
Non-cash charges to operations		
Amortization	77,456	81,594
Other	15,243	4,911
Working capital from operations	143,125	122,600
Net change in working capital other than cash assets	(32,871)	14,116
Cash provided by operating transactions	<u>110,254</u>	<u>136,716</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(109,890)	(94,502)
Government of Canada capital grants	5,435	9,427
Province of Manitoba capital grants	22,352	19,682
	<u>(82,103)</u>	<u>(65,393)</u>
<b>FINANCING</b>		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(10,790)	(19,432)
Debenture and serial debt retired	(214,212)	(87,845)
Sinking fund investments applied to debt redemption	155,451	45,274
Sinking fund debenture installments	(27,274)	(30,873)
Serial debt issued	97,180	-
Other	(1,970)	6,979
	<u>(1,615)</u>	<u>(85,897)</u>
<b>INVESTING</b>		
Purchase of investments	(6,590)	(2,104)
Increase (decrease) in cash assets	19,946	(16,678)
<b>CASH ASSETS, BEGINNING OF YEAR</b>	<u>228,131</u>	<u>244,809</u>
<b>CASH ASSETS, END OF YEAR</b>	<u>\$ 248,077</u>	<u>\$ 228,131</u>
<b>COMPONENTS OF CASH ASSETS</b>		
Cash and short-term investments	\$ 361,951	\$ 313,781
Notes payable	(113,874)	(85,650)
	<u>\$ 248,077</u>	<u>\$ 228,131</u>

See accompanying notes 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)*

	<u>2003</u>	<u>2002</u> (Restated Note 21)
<b>Excess Revenues Over Expenses</b>	<b>\$ 50,426</b>	<b>\$ 36,095</b>
Gain on sale of Winnipeg Hydro (Note 4)	-	227,476
	<b>50,426</b>	<b>263,571</b>
Amortization of tangible capital assets	77,456	81,594
Province of Manitoba grants for capital asset purchases	22,352	19,682
Government of Canada grants for capital asset purchases	5,435	9,427
Change in other non-financial assets	1,037	(2,627)
Sale of Winnipeg Hydro non-financial assets	-	196,501
Acquisition of tangible capital assets	<b>(109,890)</b>	<b>(94,502)</b>
<b>DECREASE IN NET FINANCIAL LIABILITIES</b>	<b>46,816</b>	<b>473,646</b>
<b>NET FINANCIAL LIABILITIES, BEGINNING OF YEAR</b>	<b>(98,690)</b>	<b>(572,336)</b>
<b>NET FINANCIAL LIABILITIES, END OF YEAR</b>	<b>\$ (51,874)</b>	<b>\$ (98,690)</b>

*See accompanying notes to the consolidated financial statements*

# THE CITY OF WINNIPEG

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2003

(in thousands of dollars, except as noted)

### 1. Status of The City of Winnipeg

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

### 2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

#### a) Consolidation principles and basis of presentation

The consolidated financial statements of the City include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon ownership or control exercised by the City. Interfund and intercorporate balances and transactions have been eliminated except for amounts related to services offered commercially including utility charges. In 2003, two new funds (\*) were added and the Equipment Replacement Reserve was eliminated.

The consolidated financial statements include the following:

#### Capital Reserves:

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

#### Special Purpose Reserves:

Workers Compensation Reserve  
Perpetual Maintenance Fund - Brookside Cemetery  
Perpetual Maintenance Fund - St. Vital Cemetery  
Perpetual Maintenance Fund - Transcona Cemetery

#### Special Purpose Reserves: (continued)

Insurance Reserve  
Contributions in Lieu of Land  
Dedication Reserve  
Land Operating Reserve  
Recreation Programming Reserve  
Snow Clearing Reserve  
Idea Bank Reserve  
Commitment Reserve  
Heritage Investment Reserve  
Housing Rehabilitation Investment Reserve  
Economic Development Investment Reserve  
Assiniboine Park Enterprises Reserve  
General Purpose Reserve  
**Stabilization Reserves:**  
Fiscal Stabilization Reserve  
Mill Rate Stabilization Reserve



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

### a) **Consolidation principles and basis of presentation (continued)**

#### **Other Funds:**

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

#### **Other Funds: (continued)**

Glacial Sand and Gravel - Special Operating Agency  
Golf Services - Special Operating Agency  
\*Fleet Management - Special Operating Agency

#### **Other Entities:**

Winnipeg Public Library Board  
The Convention Centre Corporation  
Destination Winnipeg Inc.  
Winnipeg Enterprises Corporation  
(May 31st Year End)  
Winnipeg Housing Rehabilitation Corporation  
(March 31st Year End)  
\*CentreVenture Development Corporation

The employees' pension and group life insurance funds of the City are administered on behalf of the pension and group life insurance plan participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (Pension Fund) for the payment of pensions and life insurance benefits and accordingly are not included in the consolidated financial statements. In addition, certain trust funds administered by the City, amounting to \$0.2 million (2002 - \$0.2 million), are not included in the consolidated statement of financial position nor have their operations been included in the consolidated statements of operations and change in net financial liabilities.

Separate financial statements for each of the above-noted entities, including the pension, group life insurance and trust funds, are included in the 2003 Detailed Financial Statements Report, a companion document to the City's 2003 Annual Report and Consolidated Financial Statements.

### b) **Basis of accounting**

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

### c) **School taxes**

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

### d) **Short-term investments**

Short-term investments consist of bankers' acceptance and term deposits and are recorded at cost, which approximates their quoted market value. These investments have varying maturities up to March 30, 2004, and have an effective average interest rate of 2.7% (2002 - 2.8%).



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

### **e) Investments**

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

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

### **f) Assessment appeal costs**

The City accrues a liability to reflect the amount of future payments related to the assessment period, net of certain assessments, which will be deferred and amortized over the balance of the reassessment period.

### **g) Solid waste landfills**

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites' capacity is used.

### **h) Environmental provisions**

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

### **i) Deferred revenue**

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

### **j) Employee benefit plans**

The costs of pensions and other retirement benefits are actuarially determined using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period.

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

### **k) Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Liabilities for the year.

#### **i) Tangible capital assets**

Tangible capital assets, including land, financed by debt are initially recorded at cost and amortized in the consolidated statement of operations and surplus at an amount equal to the principal repayments of the debt. Other, generally smaller, acquired tangible capital assets are budgeted for and charged to expenses in the consolidated statement of operations and surplus. Assets financed by debentures that are retired prior to maturity are amortized over the remaining expected useful life of the asset. In general, other assets are expensed in the year of purchase.

Commencing in 2003, tangible capital assets of the Waterworks System Fund are recorded at cost and amortized over their expected useful life. Prior to this change, these assets were expensed based on the funding arrangements. This change has been applied prospectively.

Cost includes certain interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the tangible capital asset.

#### **ii) Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. Tangible capital assets acquired under a capital lease are recorded at the amount of the related obligation. These capital leases are amortized based upon the principal portion of the capital lease payments in the consolidated statement of operations and surplus. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### **iii) Inventories**

Inventories are recorded at the lower of cost and replacement cost.

#### **iv) Other deferred charges**

The cost of certain initiatives that are long-term in nature and/or provide future economic or operational benefits to the City are deferred and amortized over the future periods to which they relate.

### **l) Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.



### 3. *Accounts Receivable*

	<u>2003</u>	<u>2002</u>
Property, payments-in-lieu and business taxes receivable	\$ 42,761	\$ 47,978
Allowance for property, payments-in-lieu and business tax arrears	<u>(5,056)</u>	<u>(4,023)</u>
	<u>37,705</u>	<u>43,955</u>
Trade accounts and other receivables	64,222	50,308
Province of Manitoba	20,797	10,826
Government of Canada	2,410	4,089
Allowance for doubtful accounts	<u>(2,527)</u>	<u>(2,082)</u>
	<u>84,902</u>	<u>63,141</u>
	<u>\$ 122,607</u>	<u>\$ 107,096</u>

### 4. *Investments*

	<u>2003</u>	<u>2002</u>
Marketable securities		
Provincial bonds, bond residues and coupons	\$ 48,237	\$ 35,590
Government of Canada bonds, bond residues and coupons	40,329	38,081
Other	<u>3,000</u>	<u>3,000</u>
	91,566	76,671
Manitoba Hydro long-term receivable	271,483	279,701
Other investments	<u>2,841</u>	<u>2,868</u>
	<u>\$ 365,890</u>	<u>\$ 359,240</u>

The aggregate market value of marketable securities at December 31, 2003 is \$95.3 million (2002 - \$81.8 million).

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

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City discounted at the City's 2002 average long-term borrowing rate of 6%.

### 5. *Notes Payable*

	<u>2003</u>	<u>2002</u>
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ 91,939	\$ 35,686
Winnipeg Police Pension Plan	16,410	27,529
Civic Employees' Group Life Insurance Plan	3,670	4,761
The Sinking Fund Trustees of The City of Winnipeg	1,851	17,668
Council Members' (Pre-1972) Pension Plan	<u>4</u>	<u>6</u>
	<u>\$ 113,874</u>	<u>\$ 85,650</u>

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 2.7% (2002 - 2.7%). These notes are callable by the issuers.



6. *Accounts Payable and Accrued Liabilities*

	<u>2003</u>	<u>2002</u>
Accrued liabilities	\$ 73,188	\$ 73,999
Trade accounts payable	39,803	50,146
Accrued interest payable	14,988	22,576
	<u>\$ 127,979</u>	<u>\$ 146,721</u>

7. *Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2003	2002
1988-2003	Feb. 23	10.250	VF	4783/88	\$ -	\$ 90,000
1993-2003	May 19	8.500	VP	6163/93	-	116,000
1991-2004	Nov. 1	10.000	VL	5779/91	32,985	32,985
1990-2005	Oct. 1	11.700	VI	5507/90	66,424	66,424
1999-2009	Feb. 2	5.350	VV	7368/99	50,000	50,000
1989-2009	Dec. 14	10.000	VH	5286/89	85,500	85,500
1993-2013	Feb. 11	9.375	VN	6090/93	90,000	90,000
1994-2014	Jan. 20	8.000	VQ	6300/94	85,000	85,000
1995-2015	May 12	9.125	VR	6620/95	88,000	88,000
1997-2017	Nov. 17	6.250	VU	7000/97	30,000	30,000
					<u>527,909</u>	<u>733,909</u>
Equity in Sinking Fund					<u>(245,709)</u>	<u>(363,097)</u>
Net sinking fund debentures outstanding					<b>282,200</b>	370,812
<b>Other debt outstanding</b>						
Serial and installment debt issued by the City with varying maturities up to 2013 and a weighted average interest rate of 5.37% (2002 - 5.94%)					143,433	54,466
Mortgages and bank loans incurred primarily by Winnipeg Enterprises Corporation and Winnipeg Housing Rehabilitation Corporation with varying maturities up to 2018 and a weighted average interest rate of 8.58% (2002 - 8.62%)					43,120	43,666
Capital lease obligations (Note 7c)					<u>25,919</u>	<u>27,348</u>
					<u>\$ 494,672</u>	<u>\$ 496,292</u>

7. *Debt (continued)*

Debt to be retired over the next five years:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009+</u>
Sinking fund debentures	\$ 32,985	\$ 66,424	\$ -	\$ -	\$ -	\$ 428,500
Other debt	<u>18,778</u>	<u>19,501</u>	<u>20,493</u>	<u>31,351</u>	<u>12,371</u>	<u>109,978</u>
	<u>\$ 51,763</u>	<u>\$ 85,925</u>	<u>\$ 20,493</u>	<u>\$ 31,351</u>	<u>\$ 12,371</u>	<u>\$ 538,478</u>

- a) Sinking fund assets have a market value of \$271.2 million (2002 - \$386.3 million). Sinking fund assets are comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of \$81.3 million (2002 - \$99.9 million) and a market value of \$87.7 million (2002 - \$108.4 million).
- b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

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

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

The following sinking fund debenture matured with a sinking fund deficiency. As anticipated, it will be refinanced at a later date.

<u>Year of Maturity</u>	<u>Debenture By-Law</u>	<u>Issued Amount</u>	<u>Amount to be Refinanced</u>
2003	6163/93	\$ 116,000	\$ 46,392

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

	<u>Capital Leases</u>
2004	\$ 3,550
2005	3,323
2006	3,299
2007	3,707
2008	3,275
Thereafter	<u>37,057</u>
Total future minimum lease payments	54,211
Amount representing interest at a weighted average rate of 9.40%	<u>(28,292)</u>
Capital lease liability	<u>\$ 25,919</u>



7. *Debt (continued)*

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

	<u>2003</u>	<u>2002</u>
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ 32,275	\$ 32,275
Winnipeg Police Pension Plan	<u>4,000</u>	<u>4,000</u>
	<u>\$ 36,275</u>	<u>\$ 36,275</u>

- e) Interest on debt recorded in the Statement of Operations in 2003 is \$65.4 million (2002 - \$76.2 million).
- f) Cash paid for interest during the year is \$72.9 million (2002 - \$78.5 million).

8. *Other Liabilities*

	<u>2003</u>	<u>2002</u>
Deferred:		
Other deferred liabilities	\$ 24,020	\$ 22,571
Developer deposits	7,455	6,902
Development agreement paybacks	<u>2,039</u>	<u>2,015</u>
	33,514	31,488
Environmental liabilities (Note 18)	<u>11,000</u>	<u>10,000</u>
	<u>\$ 44,514</u>	<u>\$ 41,488</u>

Included in environmental liabilities is \$10.6 million (2002 - \$8.5 million) of the estimated total landfill closure and post closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post closure care activities discounted at the City's average long-term borrowing rate of 6.0%.

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

The estimated remaining capacity of the City's one remaining landfill, the Brady Landfill Site, is 97% of its total estimated capacity and its estimated remaining life is 100 years, after which perpetual post closure maintenance is estimated.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2003, the reserve had a balance of \$1.6 million (2002 - \$1.3 million).



9. *Retirement Allowance, Vacation and Other Liabilities*

	<u>2003</u>	<u>2002</u>
Retirement allowance - accrued obligation	\$ 72,963	\$ 69,136
Unamortized net actuarial loss	<u>(4,745)</u>	<u>(4,110)</u>
Retirement allowance - accrued liability	68,218	65,026
Vacation	36,478	32,823
Other	<u>8,214</u>	<u>4,636</u>
Retirement allowance, vacation and other liabilities	112,910	102,485
Accrued liabilities recorded in the Funds' financial statements	<u>(5,185)</u>	<u>(3,843)</u>
Unfunded retirement allowance, vacation and other liabilities (Note 12)	<u>\$ 107,725</u>	<u>\$ 98,642</u>

- a) Under the retirement allowance plan (including certain sick leave credits) for the majority of employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). This liability was actuarially calculated as at December 31, 2003. The liability excludes net actuarial losses amortized on a straight-line basis over 11.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.
- b) Employees accrue vacation credits, which together with unused holidays from previous years, generally become a charge to operations in the year that they are earned.
- c) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims.

## 10. Tangible Capital Assets

	2003	2002
Tax supported municipal structures, facilities and initiatives:		
Streets and bridges	\$ 337,544	\$ 321,596
Core area initiative and other special projects	164,252	162,598
Civic accommodations, equipment and other property	108,123	100,967
Culture and recreation facilities	57,665	57,530
Land drainage sewers	57,593	63,484
Protection facilities	28,346	28,003
Public transportation vehicles and facilities	24,974	27,527
Health and social development facilities	5,167	5,718
Local improvements	3,734	4,614
	<u>787,398</u>	<u>772,037</u>
Self supporting entities:		
Sewage collection, treatment and disposal facilities	88,757	96,174
Water supply and distribution facilities	48,032	51,910
Solid waste collection and disposal facilities	6,742	7,386
	<u>143,531</u>	<u>155,470</u>
	<u>\$ 930,929</u>	<u>\$ 927,507</u>

Capital assets are stated at cost less accumulated amortization. Accumulated amortization at December 31, 2003 is \$1,090.5 million (2002 - \$1,021.9 million).

## 11. Commitments and Contingencies

The following significant commitments and contingencies existed at December 31, 2003:

- a) The City has entered into a number of lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments totalling \$17.6 million are as follows:

	Operating Leases
2004	\$ 3,938
2005	3,434
2006	3,254
2007	2,588
2008	1,840
Thereafter	2,567

- b) The City is a defendant in four significant lawsuits as at December 31, 2003. At this time the ultimate liability is not determinable. Other contingent liabilities consisting of routine claims for street and sidewalk accidents, property damage, etc. will be accounted for as revenue or expense in the period which the settlement occurs.
- c) The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several community centres. The outstanding balance on these loans as at December 31, 2003 is \$5.6 million (2002 - \$8.5 million).



## 12. Surplus

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

	<u>2003</u>	<u>2002</u>
Appropriated		
Equity in Capital Assets	\$ 305,951	\$ 274,317
Sewage Disposal System	23,870	16,726
Waterworks System	7,359	3,326
General Capital Fund	<u>1,247</u>	<u>1,128</u>
	<u>338,427</u>	<u>295,497</u>
Unappropriated		
Unamortized gain on Winnipeg Hydro	271,483	279,701
Waterworks System	27,779	24,620
Sewage Disposal System	24,029	27,302
Fleet Management - Special Operating Agency	19,265	-
Solid Waste Disposal	12,626	14,423
CentreVenture Development Corporation	9,222	5,495
The Sinking Fund Trustees of The City of Winnipeg	5,144	7,100
General Revenue Enterprises Fund	4,447	4,247
Equipment and Material Services	2,643	850
Other	<u>(56)</u>	<u>(505)</u>
	<u>376,582</u>	<u>363,233</u>
Unfunded		
Environmental liabilities (Note 8)	(11,000)	(10,000)
Retirement allowance, vacation and other liabilities (Note 9)	<u>(107,725)</u>	<u>(98,642)</u>
	<u>(118,725)</u>	<u>(108,642)</u>
	<u>\$ 596,284</u>	<u>\$ 550,088</u>

The consolidated surplus represents the City's combined operating and capital fund balances. Separate disclosure of the operating and capital funds has not been presented as this information is not readily available.

Included in Accumulated Surplus and Reserves is Equity in Tangible Capital Assets which is determined as follows:

	<u>2003</u>	<u>2002</u>
Non-financial assets	\$ 946,059	\$ 942,449
Debt (Note 7)	<u>(494,672)</u>	<u>(496,292)</u>
	451,387	446,157
Other surplus and reserve balances	<u>442,798</u>	<u>397,602</u>
Accumulated Surplus and Reserves	<u>\$ 894,185</u>	<u>\$ 843,759</u>



### 13. Reserves

Consolidated reserves consist of the following restricted reserves:

	<u>2003</u>	<u>2002</u>
Capital Reserves:		
Water Treatment Reserve	\$ 79,073	\$ 65,433
Environmental Projects Reserve	39,175	32,280
Combined Sewer Renewal Reserve	21,917	16,539
Other	6,344	5,879
Library Reserve	3,199	3,132
Aqueduct Rehabilitation Reserve	1,949	2,679
Transit Bus Replacement Reserve	1,147	4,659
Equipment Replacement Reserve	-	11,143
	<u>152,804</u>	<u>141,744</u>
Special Purpose Reserves:		
General Purpose Reserve	16,923	26,082
Perpetual Maintenance Fund - Brookside Cemetery	9,282	9,045
Snow Clearing Reserve	9,161	8,845
Heritage Investment Reserve	8,723	7,329
Insurance Reserve	7,145	6,536
Land Operating Reserve	6,697	4,773
Economic Development Investment Reserve	5,608	7,072
Workers Compensation Reserve	5,605	5,088
Commitment Reserve	5,247	8,186
Other	3,719	3,951
Contributions in Lieu of Land Dedication Reserve	2,405	2,609
Housing Rehabilitation Investment Reserve	1,849	2,227
	<u>82,364</u>	<u>91,743</u>
Stabilization Reserves:		
Fiscal Stabilization Reserve	34,246	33,128
Mill Rate Stabilization Reserve	26,342	25,151
	<u>60,588</u>	<u>58,279</u>
Other Reserves	<u>2,145</u>	<u>1,905</u>
	<u>\$ 297,901</u>	<u>\$ 293,671</u>

#### 14. Taxation

	<u>2003</u>	<u>2002</u>
Municipal and school property taxes	\$ 760,145	\$ 750,120
Payments-in-lieu of property (municipal and school) and business taxes	<u>47,643</u>	<u>49,412</u>
	807,788	799,532
Payments to Province and school divisions	<u>(425,053)</u>	<u>(414,140)</u>
Net property taxes and payments-in-lieu of property and business taxes available for municipal purposes	382,735	385,392
Business tax and license-in-lieu of business tax	60,853	62,564
Local improvement and frontage levies	28,365	17,947
Electricity and gas sales taxes	15,240	15,257
Amusement tax and mobile home license	<u>2,803</u>	<u>3,060</u>
	<u>\$ 489,996</u>	<u>\$ 484,220</u>

The property tax roll includes school taxes of \$399.3 million (2002 - \$387.2 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2003 totalled \$25.7 million (2002 - \$27.0 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba. If property taxes are reduced due to an assessment reduction the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

#### 15. Sales of Services and Regulatory Fees

	<u>2003</u>	<u>2002</u>
Water sales and sewage services	\$ 145,643	\$ 141,694
Other sales of goods and services	88,108	82,236
Transit fares	49,491	47,620
Regulatory fees	<u>35,363</u>	<u>24,343</u>
	<u>\$ 318,605</u>	<u>\$ 295,893</u>

#### 16. Government Grants and Transfers

	<u>2003</u>	<u>2002</u>
Province of Manitoba grants:		
Tax sharing	\$ 47,343	\$ 47,343
Ambulance, libraries and other	27,759	25,370
Unconditional	19,887	19,888
Transit	17,354	16,854
Support	8,169	7,843
Support for Provincial programs	<u>(23,650)</u>	<u>(23,500)</u>
	<u>96,862</u>	<u>93,798</u>
Government of Canada grants:		
Canada Mortgage and Housing Corporation	174	177
Dutch elm disease program, job training and other	<u>46</u>	<u>51</u>
	<u>220</u>	<u>228</u>
	<u>\$ 97,082</u>	<u>\$ 94,026</u>



## 17. Expenses by Object

	<u>2003</u>	<u>2002</u>
Salaries and benefits	\$ 465,442	\$ 433,185
Goods and services	290,573	283,703
Debt repayment and interest	133,537	143,856
Grants and other expenses	<u>21,451</u>	<u>34,069</u>
	<u>\$ 911,003</u>	<u>\$ 894,813</u>

## 18. Environmental Liabilities

In 2003, the City has accrued an overall liability for environmental matters in the amount of \$11.0 million (2002 - \$10.0 million) which represents management's best estimate of this liability. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

## 19. Pension Costs and Obligations

### a) Winnipeg Civic Employees' Benefits Program

Effective January 1, 2003, the restructuring of the City of Winnipeg's Employee Benefits Program was completed with The Winnipeg Civic Employees' Benefits Program becoming jointly trustee. The Board of Trustees, representing Program members and employers, is responsible for overseeing the management of the Program, including the investment of assets and administration of the Program. The Program is a multi-employer contributory defined benefit program, providing pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers. Program members are currently required to make contributions of 6.5% of Canada Pension Plan earnings and 7.5% of pensionable earnings in excess of Canada Pension Plan earnings. The City and participating employers are required to make matching contributions. In the event of unfavourable financial experience, Program member and employers contributions can be increased, on an equal basis, to a rate not exceeding 8% of pensionable earnings.

An actuarial valuation of the Program was made at January 1, 2003, which indicated an actuarial surplus of \$186.2 million. The Pension Trust Agreement specifies how actuarial surpluses can be used but does not attribute surplus 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.

The balance of the City Account at December 31, 2003 is \$123.8 million (2002 - \$91.8 million). Total contributions by the City to the Program in 2003 were \$8.5 million (2002 - \$6.5 million) which were expensed as incurred.



**19. Pension Costs and Obligations (continued)**

**b) Winnipeg Police Pension Plan**

Effective January 1, 2003, the City entered into an agreement with its two Police Associations concerning the sharing of surpluses and risks under the Winnipeg Police Pension Plan. Under the terms of the agreement, the existing Regular Account (which financed the Plan's defined pension benefits other than cost-of-living adjustments) and the Supplementary Account (which financed cost-of-living adjustments to pensioners) were merged into a single account and the actuarial surplus was used to fully fund future cost-of-living adjustments on all accrued pension and deferred pension benefits at the rate of 75% of the inflation rate, as well as establish a contribution stabilization reserve to maintain the City's contribution rate at 8% of pensionable earnings, which is the same rate as that at which police employees contribute to the Plan. Future actuarial surpluses, over and above those required to fully fund future cost-of-living adjustments to pensions at 75% of the inflation rate and the contribution stabilization reserve sufficient to maintain the City's contribution rate at 8% of pensionable earnings, will be shared equally between the City and the Plan members. The City will remain responsible for ensuring the financial solvency of the Plan with respect to benefits other than cost-of-living adjustments to pensions.

An actuarial valuation of the Plan was carried out as at January 1, 2003 and the results were extrapolated to December 31, 2003. The principal long-term assumptions on which the valuation was based were: discount rate of 6% per year; inflation rate of 2% per year; and general pay increases 3.5% per year. The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the Plan is as follows:

	<u>2003</u>	<u>2002</u>
Pension fund assets, at actuarial value	<u>\$ 706,139</u>	<u>\$ 678,251</u>
Accrued pension obligations	\$ 658,800	\$ 520,086
Future cost-of-living increases	-	57,504
Contribution stabilization reserve	<u>51,801</u>	<u>-</u>
	<u>\$ 710,601</u>	<u>\$ 577,590</u>

The market value of the pension fund assets as at December 31, 2003, is \$693 million (2002 - \$620 million).

Total contributions made by the City to the Plan in 2003 were \$6.2 million (2002 - \$3.8 million). Total employee contributions to the Plan in 2003 were \$6.3 million (2002 - \$6.4 million). Benefits paid from the Plan in 2003 were \$23.9 million (2002 - \$22.5 million).

The expected rate of return on Plan assets in 2003 was 6% (2002 - 6%). The actual rate of return, net of investment expenses, on Plan assets in 2003 was 13.8% (2002 - (5.2)%).



## **19. Pension Costs and Obligations (continued)**

### **c) Councillors' Pension Plan**

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

On November 2, 1992, the pension plan provided to members of Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2003, the City paid out \$0.3 million (2002 - \$0.3 million).

#### **ii) Pension Plan Established Under By-law 7869/01**

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of Council for The City of Winnipeg which is consistent with the Civic Employees' Pension Plan.

### **d) Group Life Insurance Plan**

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

## **20. Property and Liability Insurance**

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of \$250 thousand per claim for most of the policies. The City has established an Insurance Reserve Fund that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year. The balance of the reserve as at December 31, 2003 is \$7.1 million (2002 - \$6.5 million).

## **21. Comparative Figures**

For 2003, CentreVenture Development Corporation is included in the City of Winnipeg's consolidated financial statements on a retroactive basis. The 2003 opening surplus has been increased by \$5.5 million (2002 - \$4.4 million).

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





# THE CITY OF WINNIPEG CONSOLIDATED FINANCIAL STATEMENTS

## FIVE-YEAR REVIEW

As at December 31

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

(Unaudited)

	2003	2002	2001	2000	1999
1. Population (as restated per Statistics Canada)	<b>644,500</b>	639,800	637,000	634,100	630,700
Unemployment rate (per Statistics Canada)					
- Winnipeg	<b>5.2%</b>	5.3%	5.1%	5.3%	5.8%
- National average	<b>7.6%</b>	7.7%	7.2%	6.8%	7.6%
2. Average total employees	<b>8,385</b>	8,333	8,870	8,888	9,097
3. Number of taxable properties	<b>199,118</b>	198,827	198,252	192,792	189,519
Payments-in-lieu					
Number of properties	<b>872</b>	825	859	898	834
4. Assessment					
- Residential	<b>\$ 18,069,819</b>	17,711,900	16,950,454	17,641,656	17,486,001
- Commercial and industrial	<b>7,099,635</b>	7,011,063	6,242,499	5,295,751	5,202,799
- Farm and golf	<b>104,099</b>	108,179	106,799	108,943	113,363
	<b>\$ 25,273,553</b>	24,831,142	23,299,752	23,046,350	22,802,163
Assessment per capita (in dollars)	<b>\$ 39,214</b>	38,811	36,577	36,345	36,154
Commercial and industrial as a percentage of assessment	<b>28.09%</b>	28.23%	26.79%	22.98%	22.82%
5. Tax arrears	<b>\$ 42,761</b>	47,978	45,283	48,333	47,332
6. Tax arrears - per capita (in dollars)	<b>\$ 66.35</b>	74.99	71.09	76.22	75.05
7. Municipal mill rate	<b>29.686</b>	29.686	32.140	32.809	33.479
- Percentage change adjusted for portioning and reassessment	<b>0.00%</b>	-2.00%	-2.42%	-2.00%	-0.40%
8. Winnipeg consumer price index (annual average)					
- 1992 base year 100	<b>125.50</b>	123.30	121.50	118.10	115.30
- Percentage increase	<b>1.78%</b>	1.48%	2.88%	2.43%	2.04%
9. Consolidated revenue					
- Taxation	<b>\$ 489,996</b>	484,220	480,974	488,334	485,786
- User charges	<b>318,605</b>	295,893	416,408	409,474	402,968
- Government transfers	<b>97,082</b>	94,026	93,741	92,530	96,318
- Interest and other revenue	<b>55,746</b>	56,769	50,078	86,460	57,894
- Gain on sale of Hydro	<b>-</b>	227,476	-	-	-
	<b>\$ 961,429</b>	1,158,384	1,041,201	1,076,798	1,042,966
10. Consolidated expenses by function					
- Municipal operations	<b>\$ 661,970</b>	640,692	627,964	612,442	624,398
- Public utilities	<b>219,178</b>	223,814	324,858	307,868	323,502
- Civic corporations	<b>29,855</b>	30,307	27,758	26,566	26,576
	<b>\$ 911,003</b>	894,813	980,580	946,876	974,476
11. Growth in Surplus for the year	<b>\$ 46,196</b>	275,655	33,830	31,577	26,634
Growth (Decline) in Reserves for the year	<b>\$ 4,230</b>	(12,084)	26,791	98,345	41,856

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

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

(Note: The 2001 - 1999 figures include Winnipeg Hydro's operations.)



**THE CITY OF WINNIPEG  
CONSOLIDATED FINANCIAL STATEMENTS**

**FIVE-YEAR REVIEW - continued**

*As at December 31*

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

*(Unaudited)*

	2003	2002	2001	2000	1999
<b>12. Consolidated expenses by object</b>					
Salaries and benefits	\$ 465,442	433,185	437,557	435,028	449,514
Goods and services	290,573	283,703	340,983	299,586	310,958
Debt interest and repayment	133,537	143,856	176,253	189,312	182,818
Grants and other expenses	21,451	34,069	25,787	22,950	31,186
	<u>\$ 911,003</u>	<u>894,813</u>	<u>980,580</u>	<u>946,876</u>	<u>974,476</u>
<b>13. Payments to school authorities</b>	<b>\$ 425,053</b>	<b>414,140</b>	<b>395,404</b>	<b>380,905</b>	<b>368,983</b>
<b>14. Debt</b>					
Tax-supported	\$ 489,974	576,659	631,332	636,340	741,286
Transit	33,606	38,007	42,607	42,782	45,951
City-owned utilities	177,429	204,833	419,957	419,517	420,272
Other	39,372	39,890	40,892	41,881	41,811
Total gross debt	<u>740,381</u>	<u>859,389</u>	<u>1,134,788</u>	<u>1,140,520</u>	<u>1,249,320</u>
Less: Sinking Fund	245,709	363,097	405,865	353,101	345,859
Total net long-term debt	<u>\$ 494,672</u>	<u>496,292</u>	<u>728,923</u>	<u>787,419</u>	<u>903,461</u>
Percentage of total assessment	1.96%	2.00%	3.13%	3.42%	3.96%
<b>15. Acquisition of tangible capital assets</b>					
Gross purchase	\$ 164,384	157,511	135,693	124,075	181,090
Less: internally financed					
Combined Sewer Renewal	15,398	18,074	16,957	17,532	13,838
Transit Bus Replacement	9,237	4,865	3,686	-	8,251
Watermain Renewal	6,541	8,964	7,940	7,399	7,944
General Revenue	5,072	3,900	4,645	1,200	-
Sewage Disposal System	4,514	3,412	3,749	3,500	3,253
General Purpose	4,170	-	-	-	-
Other	3,837	2,681	1,709	1,058	2,900
Aqueduct Rehabilitation	3,458	8,242	5,659	4,813	5,516
Environmental Projects	1,187	935	453	792	5,403
Waterworks System	1,080	1,635	1,601	3,333	6,594
Frontage levies	-	10,000	-	-	-
Equipment and Material Services	-	301	6,727	1,994	1,795
	<u>54,494</u>	<u>63,009</u>	<u>53,126</u>	<u>41,621</u>	<u>55,494</u>
	<u>\$ 109,890</u>	<u>94,502</u>	<u>82,567</u>	<u>82,454</u>	<u>125,596</u>
<b>16. Net Financial Liabilities</b>	<b>\$ (51,874)</b>	<b>(98,690)</b>	<b>(576,326)</b>	<b>(668,103)</b>	<b>(828,704)</b>
<b>17. Reserves and Surplus</b>					
Reserves	\$ 297,901	293,671	305,755	278,964	180,619
Surplus	\$ 596,284	550,088	270,076	236,246	204,669
<b>18. Area in acres at the end of the year</b>	<b>116,000</b>	<b>116,000</b>	<b>116,000</b>	<b>116,000</b>	<b>116,000</b>
<b>19. Construction</b>					
- Permits issued	8,344	8,719	7,938	7,893	7,701
- Value	\$ 649,071	427,028	372,969	475,691	504,158
Housing starts	2,208	1,451	1,290	1,044	1,127







Funds  
2003 DETAILED FINANCIAL STATEMENTS







## THE CITY OF WINNIPEG GENERAL REVENUE FUND

The City is a single-tier municipality created on January 1, 1972, pursuant to **The City of Winnipeg Act**, a statute of the Legislature of the Province of Manitoba ("the Province"). The City continued as a body corporate by virtue of the enactment by the Province of **The City of Winnipeg Charter** on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, parks and recreation, library and other general government operations. The City is required by **The Public Schools Act** to bill, collect and remit provincial support and school division special levies on behalf of the Province and school divisions. The City also bills, collects, and remits taxes on behalf of local business improvement zones. Activities related to these billing functions are not included in the Statement of Operations, nor are those activities related to capital expenditures financed by debt, City-owned utilities and special purpose reserves.

On March 19, 2003, City Council adopted the 2003 budget, which included increased funding for public safety. It also included no increase in property taxes, after three years of reductions and freezes.

The City ended the year with the General Revenue Fund recording a surplus of \$0.7 million before the transfer to the Housing Rehabilitation Investment Reserve. Some of the factors which influenced the amount of the year-end surplus were:

- This was the first year of operations of the photo enforcement program. Revenue from this program was \$6.0 million below budget as a result of the budget being based on statistics from other municipalities;
- Interest and principal amortization costs on debt were \$3.6 million under budget due to delayed refinancing of existing debt, not issuing new debt for previously approved capital projects, and a lower rate on the refinanced issue;
- Adjustments of year-end accruals resulted in \$2.8 million of savings;
- Planning, Property and Development department's expenses were \$1.5 million under budget mainly because of salary savings as a result of vacancy management and delayed hiring of new positions involved with the integrated planning model;
- Video lottery terminal revenue received from the Province was \$1.3 million lower than anticipated due to a decline in gaming revenue;
- The Contribution to Transit was \$1.2 million over budget due to a decline in passenger revenues. Revenues were up from last year, with ridership holding. However, the budget included optimistic ridership projections. Expenses were also greater than anticipated primarily due to repair costs. The fleet is at a point where significant repairs are required. The older high floor buses experienced a high rate of power train failures, while the newer low floor buses required a significant brake component overhaul. Diesel fuel costs were higher as a result of price increases, and wage and benefit costs were over budget due to a slower turnover in the bus operator workforce;
- The Property and Assessment department's expenses were \$1.1 million lower than budget due to salary savings and deficit avoidance initiatives; and
- Combined, there were \$0.2 million of miscellaneous variances.

The City of Winnipeg's goal is to be an affordable yet efficient and accountable government for its citizens. Our objective is to ensure that our level of taxation is competitive with other comparable cities. The City faces many challenges in achieving affordable government. The continuation of Council support for cost reduction, efficiencies, and reduced dependence on property taxes for revenue is essential to achieve this goal.



# THE CITY OF WINNIPEG GENERAL REVENUE FUND

## FIVE-YEAR REVIEW

As at December 31

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

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<i>Planning, Property and Development</i>					
Construction					
-Permits issued	8,344	8,719	7,938	7,893	7,701
-Value	\$ 649,071	\$ 427,028	\$ 372,969	\$ 475,691	\$ 504,158
Housing starts	2,208	1,451	1,290	1,044	1,127
<i>Community Services</i>					
Library Provincial Grant	\$ 1,963	\$ 1,780	\$ 1,758	\$ 1,820	\$ 1,853
Library circulation	5,730,808	5,695,355	5,461,166	5,423,272	5,644,090
<i>Taxes Receivable</i>					
Property, payments-in-lieu and business taxes	\$ 42,761	\$ 47,978	\$ 45,283	\$ 48,333	\$ 47,332
Allowance for tax arrears	(5,056)	(4,023)	(3,263)	(3,399)	(5,769)
	<u>\$ 37,705</u>	<u>\$ 43,955</u>	<u>\$ 42,020</u>	<u>\$ 44,934</u>	<u>\$ 41,563</u>
<i>Tax Revenues</i>					
Municipal realty taxes(1)	\$ 360,248	\$ 364,045	\$ 351,008	\$ 354,645	\$ 358,442
Payments-in-lieu of taxes	\$ 29,918	\$ 29,802	\$ 32,521	\$ 34,224	\$ 34,308
Business and licenses-in-lieu of business taxes	\$ 60,853	\$ 62,564	\$ 56,095	\$ 55,974	\$ 55,730
<i>Statement of Operations</i>					
Revenues	\$ 681,512	\$ 666,011	\$ 643,572	\$ 668,872	\$ 647,054
Expenses	681,512	665,161	643,007	667,940	645,911
	-	850	565	932	1,143
Contribution to the Mill Rate Stabilization Reserve	-	(850)	(565)	(932)	(1,143)
Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt and finance charges	\$ 116,983	\$ 122,918	\$ 123,403	\$ 132,520	\$ 131,091
% of total expenses	17.17%	18.46%	19.17%	19.81%	20.26%

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



**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash and short-term investments	\$ 349,949	\$ 305,994
Accounts receivable (Note 3)	72,379	66,005
Materials and supplies	2,643	2,085
Prepaid expenses	<u>2,536</u>	<u>2,134</u>
	427,507	376,218
Contributed surplus and other assets (Note 4)	<u>33,227</u>	<u>33,854</u>
	<u>\$ 460,734</u>	<u>\$ 410,072</u>
<b>LIABILITIES</b>		
Current		
Notes payable (Note 5)	\$ 124,648	\$ 101,507
Due to other funds (Note 6)	202,930	181,839
Accounts payable and accrued liabilities (Note 7)	102,709	96,827
Deferred revenue (Note 8)	27,026	26,682
Performance and other deposits	<u>3,421</u>	<u>3,217</u>
	<u>\$ 460,734</u>	<u>\$ 410,072</u>
Commitments and contingent liabilities (Note 9)		

*See accompanying notes and schedules to the financial statements*

**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

**STATEMENT OF OPERATIONS**

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>REVENUES (Schedule 1)</b>			
Taxation (Note 10)	\$ 441,262	\$ 442,615	\$ 448,452
Government grants	71,527	70,207	68,794
Sale of goods and services (Note 11)	41,974	41,863	42,625
Contributions and transfers	34,128	36,492	26,831
Regulation fees	38,280	32,129	20,903
Payments-in-lieu of taxes (Note 10)	29,933	29,918	29,802
Sale of Winnipeg Hydro and other	25,749	26,547	26,450
Interest	2,058	1,741	2,154
	<hr/>	<hr/>	<hr/>
Total Revenues	684,911	681,512	666,011
<b>EXPENSES (Schedules 2 and 3)</b>			
Protection and community services	318,061	320,261	299,570
Public works	192,035	192,403	195,868
Finance and administration	64,536	62,502	61,447
Contributions and appropriations	35,218	37,368	39,356
Property and development	36,766	35,219	34,936
Grants and payments to other authorities	9,608	11,578	12,136
Debt and finance charges	14,211	10,171	11,676
Employee benefits and payroll tax	9,207	9,345	8,459
Other	5,269	2,665	1,713
	<hr/>	<hr/>	<hr/>
Total Expenses	684,911	681,512	665,161
Surplus for the year before the contribution to the Mill Rate Stabilization Reserve	-	-	850
Contribution to the Mill Rate Stabilization Reserve	-	-	(850)
	<hr/>	<hr/>	<hr/>
Surplus for the year	\$ -	\$ -	\$ -

*See accompanying notes and schedules to the financial statements*



# THE CITY OF WINNIPEG GENERAL REVENUE FUND

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003*

*(in thousands of dollars, except as noted)*

### **1. Summary of Significant Accounting Policies**

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

#### **a) Basis of presentation**

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

#### **b) Basis of accounting**

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

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

#### **c) Short-term investments**

Short-term investments consist of bankers' acceptance and term deposits and are recorded at cost, which approximates their quoted market value. These investments have varying maturities up to March 30, 2004, and have an effective average interest rate of 2.7% (2002 - 2.8%).

#### **d) Materials and supplies**

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

#### **e) Assessment appeal costs**

The City accrues a liability to reflect the amount of future payments related to the assessment period, net of certain assessments, which will be deferred and amortized over the balance of the reassessment period.

#### **f) Deferred revenue**

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.



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

**g) Corporate debt and finance charges**

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

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

**h) Local improvement taxes**

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

**i) Taxes collected for others**

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

**j) Administration and interest on capital work**

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

**k) Debenture discounts and issue expenses**

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

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

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



## 2. *Status of the General Revenue Fund*

The City is a municipality which was created on January 1, 1972, pursuant to **The City of Winnipeg Act**, a statute of the Legislature of the Province of Manitoba (the "Province"). The City continued as a body corporate by virtue of the enactment by the Province of **The City of Winnipeg Charter** on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, urban planning, parks and recreation, library and other general government operations. The City also bills, collects and remits taxes on behalf of local business improvement zones.

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

## 3. *Accounts Receivable*

	<u>2003</u>	<u>2002</u>
Property, payments-in-lieu and business taxes	\$ 42,761	\$ 47,978
Allowance for tax arrears	<u>(5,056)</u>	<u>(4,023)</u>
	<u>37,705</u>	<u>43,955</u>
Trade accounts and other receivables	15,654	10,970
Province of Manitoba	9,684	4,769
The Sinking Fund Trustees of The City of Winnipeg	7,364	3
Government of Canada	2,396	2,994
Accrued interest receivable	949	831
The Convention Centre Corporation	347	391
Insurance Reserve Fund	-	3,718
	<u>36,394</u>	<u>23,676</u>
Allowance for doubtful accounts	<u>(1,720)</u>	<u>(1,626)</u>
	<u>34,674</u>	<u>22,050</u>
	<u>\$ 72,379</u>	<u>\$ 66,005</u>

## 4. *Contributed Surplus and Other Assets*

	<u>2003</u>	<u>2002</u>
Contributed surplus to:		
Golf Services - Special Operating Agency	\$ 20,090	\$ 20,090
Land Operating Reserve	8,425	8,425
Loan receivable Golf Services - Special Operating Agency, interest at 6%, repayable commencing 2007	3,976	3,976
Deferred election costs	723	1,282
Deferred charges, other	13	81
	<u>\$ 33,227</u>	<u>\$ 33,854</u>

## 5. Notes Payable

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 2.7% (2002 - 2.7%). These notes are callable by the issuers.

	<u>2003</u>	<u>2002</u>
Winnipeg Civic Employees' Benefits Program	\$ 91,939	\$ 35,687
Winnipeg Police Pension Plan	16,410	27,529
Water Treatment Reserve	6,627	11,462
The Civic Employees' Group Life Insurance Plan	3,670	4,761
Workers Compensation Reserve	2,712	1,350
The Sinking Fund Trustees of The City of Winnipeg	1,851	17,668
Insurance Reserve	697	2,611
Brady Landfill Site Rehabilitation Reserve	423	210
Perpetual Maintenance Funds:		
- Brookside Cemetery	236	132
- Transcona Cemetery	53	56
- St. Vital Cemetery	26	35
Council Members' (Pre-1972) Pension Plan	4	6
	<u>\$ 124,648</u>	<u>\$ 101,507</u>

## 6. Due to Other Funds

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

	<u>2003</u>	<u>2002</u>
Capital Reserves	\$ 74,605	\$ 77,084
Stabilization Reserves	60,588	58,279
Special Purpose Reserves	56,312	77,021
Equity in Capital Assets Fund	21,103	34,111
Sewage Disposal System	19,086	11,253
Fleet Management - Special Operating Agency	11,453	-
Waterworks System	11,326	8,626
Solid Waste Disposal	7,229	10,300
General Revenue Enterprises Fund	5,784	4,931
Trust Funds	234	223
Equipment and Material Services	148	(25)
Animal Services - Special Operating Agency	114	100
Building Services Fund	30	613
Golf Services - Special Operating Agency	(158)	(230)
Civic Accommodations Fund	(199)	(139)
Glacial Sand and Gravel - Special Operating Agency	(671)	(204)
Transit System	(9,621)	(9,741)
General Capital	(54,433)	(90,363)
	<u>\$ 202,930</u>	<u>\$ 181,839</u>



**7. Accounts Payable and Accrued Liabilities**

	<u>2003</u>	<u>2002</u>
Trade accounts payable	\$ 30,283	\$ 21,351
Provincial education support and school division special levies payable	28,266	29,984
Wages and employee benefits payable	18,070	15,167
Provision for assessment appeals	10,591	9,600
Accrued interest on long-term debt	7,836	13,215
Other accrued liabilities	7,655	7,066
Idea Bank Reserve	8	15
Workers Compensation Reserve	-	429
	<u>\$ 102,709</u>	<u>\$ 96,827</u>

**8. Deferred Revenue**

	<u>2003</u>	<u>2002</u>
Deferred gain on sale of assets to Golf Services - Special Operating Agency	\$ 24,155	\$ 24,155
Province of Manitoba, Federal Government and other	1,568	1,561
Registration fees	963	744
Rentals	340	222
	<u>\$ 27,026</u>	<u>\$ 26,682</u>

**9. Commitments and Contingent Liabilities**

The following significant commitments and contingencies existed at December 31, 2003:

**a) Lease commitments**

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

2004	\$ 218
2005	180
2006	152
2007	26
	<u>576</u>
	<u>\$ 576</u>

## 9. *Commitments and Contingent Liabilities (continued)*

### b) **Loan guarantees**

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

	<u>2003</u>	<u>2002</u>
Winnipeg Enterprises Corporation	\$ 5,274	\$ 5,763
Gateway Recreation Centre Inc.	2,116	2,245
Garden City Community Centre Inc.	814	861
St. Norbert Community Club	522	556
Transcona East End Community Club Inc.	449	530
Manitoba Opera Association Inc.	390	158
Glenwood Community Centre	326	352
Maples Recreation Association Inc.	214	242
Kirkfield Westwood Community Centre Inc.	186	199
Richmond Kings Community Centre Inc.	150	197
Springer's Gymnastics Club Inc.	137	151
St. Norbert Children's Centre Inc.	126	139
Granite Curling Club	96	100
East Side Eagles Football Club	27	30
Melrose Park Community Centre Inc.	12	10
Dakota Community Centre Inc.	-	2,709
	<u>\$ 10,839</u>	<u>\$ 14,242</u>

When an organization has failed to meet debt covenants on existing debt obligations and factors known at the time of reporting are likely to affect the ability of the borrower to repay the loan in the future, then a provision for losses on loan guarantees will be accrued in the financial statements. As at December 31, 2003, an accrual has not been made to the financial statements.

### c) **Lawsuits**

The City is defendant in four significant lawsuits as at December 31, 2003. At this time the ultimate liability is not determinable.

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

## 10. *Taxation*

The property tax roll recorded in the General Revenue Fund for the year totalled \$759.6 million (2002 - \$751.2 million). This included school taxes of \$399.3 million (2002 - \$387.2 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were \$55.7 million (2002 - \$56.8 million). Included were payments-in-lieu of school taxes assessed in 2003 of \$25.7 million (2002 - \$27.0 million). School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba and are not reflected as revenues or expenditures in these financial statements. When an assessment is reduced the City is compelled by legislation to refund municipal taxes, school taxes and payments-in-lieu of school taxes with applicable interest.



## 11. General Government Charges from Related Parties

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

	<u>2003</u>	<u>2002</u>
Waterworks System	\$ 889	\$ 872
Transit System	807	807
Sewage Disposal System	467	467
Fleet Management - Special Operating Agency	363	-
Civic Accommodations Fund	306	306
Building Services Fund	252	252
Equipment and Material Services	136	484
Solid Waste Disposal Fund	79	79
Golf Services - Special Operating Agency	61	59
Glacial Sand and Gravel - Special Operating Agency	26	58
	<u>\$ 3,386</u>	<u>\$ 3,384</u>

## 12. Contributions and Appropriations from Related Parties

Included in Community Services department's expenditures is an appropriation of unexpended or over expended budget costs to/from the Recreation Programming Reserve. The amount transferred is \$0 thousand (2002 - \$100 thousand). Also included is a transfer to the Library Reserve of \$392 thousand (2002 - \$520 thousand), a net transfer of \$970 thousand (2002 - \$1,120 thousand) to Animal Services - Special Operating Agency, and a transfer to Assiniboine Park Enterprise Reserve of \$5 thousand (2002 - \$7 thousand).

Included in Planning, Property and Development department's expenditures is a net transfer from the Perpetual Maintenance Funds in the amount of \$482 thousand (2002 - \$497 thousand), a transfer of \$1,300 thousand (2002 - \$1,300 thousand) to the Heritage Investment Reserve, and a transfer to the Land Operating Reserve of \$0 thousand (2002 - \$357 thousand).

Included in the Public Works department's expenditures is an appropriation of unexpended budget costs to the Snow Clearing Reserve. The amount transferred in 2003 is \$58 thousand (2002 - \$1,933 thousand).

Included in the Corporate Information Technology department's expenditures is a transfer to the Idea Bank Reserve of \$18 thousand (2002 - \$0).

Included in various department expenditure categories are a transfer to the Civic Accommodations Fund of \$27.6 million (2002 - \$27.5 million) for facilities costs, a transfer to the Computer Replacement Reserve of \$428 thousand (2002 - \$413 thousand), a transfer to the Building Services Fund of \$16.0 million (2002 - \$15.4 million), a transfer to the Concession Equipment Replacement Reserve of \$13 thousand (2002 - \$13 thousand) and a transfer to the General Capital Fund of \$291 thousand (2002 - \$0 thousand).

Included in various expenditure categories are a contribution to the Commitment Reserve of \$2.6 million (2002 - \$6.2 million), a transfer from the Insurance Reserve of \$17 thousand (\$839 thousand), and a transfer from the General Purpose Reserve of \$1,658 thousand (2002 - \$0).

### **13. Pension Costs and Obligations**

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

The Fund's employees are eligible for benefits under the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan. The City of Winnipeg allocates its benefit costs to various departments. During the year, \$19.6 million (2002 - \$18.8 million) of benefit costs were allocated to the Fund.

#### **b) Councillors' Pension Plan Established Under By-law 3553/83**

On November 2, 1992, the pension plan provided to members of Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. These benefits are recorded when paid. The unrecorded benefits liability at December 31, 2003 has been estimated to be \$4.1 million (2002 - \$4.1 million). In 2003, the City paid out \$0.3 million (2002 - \$0.3 million).

### **14. Other Employee Benefits**

- a) Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2003 at \$55.5 million (2002 - \$52.4 million).
- b) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2003 is estimated at \$28.4 million (2002 - \$25.1 million).
- c) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2003 is estimated at \$0.6 million (2002 - \$0.4 million).
- d) Employees of the City who are members of the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan respectively. These plans provide life insurance coverage for members while employed and coverage can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance coverage. An actuarial valuation indicated that this post-retirement liability is fully funded.

### **15. Related Party Transactions**

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



## ***16. Comparative Figures***

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

**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

**Schedule 1**

**REVENUES**

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>Taxation</b>			
Municipal realty taxes	\$ 359,747	\$ 360,248	\$ 364,045
Business and licenses-in-lieu of business taxes	61,473	60,853	62,564
Electricity and gas sales taxes	14,681	15,240	15,257
Amusement taxes	3,430	4,316	4,417
Local improvement taxes	1,482	1,545	1,685
Licenses-in-lieu of realty taxes	351	345	362
Billboard taxes	49	49	49
Local improvement taxes commuted	49	19	73
	<u>441,262</u>	<u>442,615</u>	<u>448,452</u>
<b>Government grants</b>			
Provincial			
Municipal tax sharing	47,106	47,343	47,343
Unconditional	19,888	19,887	19,888
Video lottery terminal	8,112	6,773	8,111
Support	5,810	6,064	5,809
Other grants	6,136	6,052	3,814
Ambulance	5,112	4,829	4,598
Libraries	1,910	1,963	1,780
Dutch elm disease control	900	900	900
Services transferred to the Province	(23,500)	(23,650)	(23,500)
	<u>71,474</u>	<u>70,161</u>	<u>68,743</u>
Federal government grants	<u>53</u>	<u>46</u>	<u>51</u>
	<u>71,527</u>	<u>70,207</u>	<u>68,794</u>
<b>Sale of goods and services</b>	<u>41,974</u>	<u>41,863</u>	<u>42,625</u>



**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

Schedule 1

**REVENUES**

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>Contributions and transfers</b>			
Sewage Disposal System	11,081	11,212	11,109
Waterworks System	10,943	11,187	10,903
The Sinking Fund Trustees of the City of Winnipeg	7,062	7,362	-
Civic Accommodations Fund	2,819	2,921	3,256
Solid Waste Disposal Fund	1,806	1,806	895
Commitment Reserve	-	822	433
General Purpose Reserve (Note 12)	-	500	-
Economic Development Investment Reserve	-	265	-
Glacial Sand and Gravel - Special Operating Agency	218	218	-
Golf Services - Special Operating Agency	199	199	161
Building Services Fund	-	-	41
Equipment and Material Services	-	-	33
	<b>34,128</b>	<b>36,492</b>	<b>26,831</b>
<b>Regulation fees</b>			
Fines	24,040	17,760	7,664
Permits and fees	6,773	8,027	6,476
Tax penalties	4,500	3,846	3,965
Licenses	2,967	2,496	2,798
	<b>38,280</b>	<b>32,129</b>	<b>20,903</b>
<b>Payments-in-lieu of taxes</b>	<b>29,933</b>	<b>29,918</b>	<b>29,802</b>
<b>Sale of Winnipeg Hydro and other</b>			
Manitoba Hydro	25,000	25,000	25,000
Accounts payable write-offs, commissions, etc.	749	1,547	1,450
	<b>25,749</b>	<b>26,547</b>	<b>26,450</b>
<b>Interest</b>			
Interest capitalized	894	875	1,296
Debt charges recovered	674	645	702
Interest earned	490	221	156
	<b>2,058</b>	<b>1,741</b>	<b>2,154</b>
<b>Total Revenues</b>	<b>\$ 684,911</b>	<b>\$ 681,512</b>	<b>\$ 666,011</b>

**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

Schedule 2

**EXPENSES**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Protection and community services</b>			
Police services	\$ 137,944	\$ 138,595	\$ 125,871
Fire paramedic service	99,204	100,075	95,680
Community services	80,310	80,874	77,321
Museums	603	717	698
	<u>318,061</u>	<u>320,261</u>	<u>299,570</u>
<b>Public works</b>			
Public works	148,117	148,840	151,975
Waterworks, waste and disposal	17,926	17,846	18,710
Refuse collection	16,530	16,355	16,854
Street lighting	9,462	9,362	8,329
	<u>192,035</u>	<u>192,403</u>	<u>195,868</u>
<b>Finance and administration</b>			
Corporate finance	16,593	16,176	14,255
Corporate information technology	14,389	14,416	14,839
Property assessment	12,514	11,414	11,810
Corporate services	8,474	8,485	8,497
City clerks	5,129	4,956	4,974
Council	2,610	2,605	2,552
CAO secretariat	2,539	2,393	2,288
Audit	906	849	783
EPC secretariat	903	760	825
Mayor's office	479	448	467
Ombudsman's office	-	-	157
	<u>64,536</u>	<u>62,502</u>	<u>61,447</u>
<b>Contributions and appropriations</b>			
Transit System	30,707	31,882	29,081
General Capital Fund (Note 12)	4,511	4,781	3,900
Housing Rehabilitation Investment Reserve	-	705	1,000
Economic Development Investment Reserve	-	-	4,975
Heritage Investment Reserve (Note 12)	-	-	400
	<u>35,218</u>	<u>37,368</u>	<u>39,356</u>



**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

Schedule 2

**EXPENSES**

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>Property and development</b>			
Planning, property and development	<u>36,766</u>	<u>35,219</u>	<u>34,936</u>
<b>Grants and payments to other authorities</b>			
Grants	4,479	6,090	5,962
The Convention Centre Corporation	2,199	2,199	2,199
Winnipeg Enterprises Corporation	1,575	1,933	1,944
Destination Winnipeg	1,227	1,227	-
Children's Museum and other payments	128	129	134
Tourism Winnipeg Incorporated	-	-	743
Economic Development Winnipeg	-	-	706
CentreVenture Corporation	-	-	250
Winnipeg Rehabilitation Housing Corporation	-	-	198
	<u>9,608</u>	<u>11,578</u>	<u>12,136</u>
<b>Debt and finance charges</b>			
Debenture debt			
Interest	41,888	38,798	46,701
Principal amortization	24,364	23,870	25,783
Non-debenture debt			
Principal amortization	34,504	34,504	31,967
Interest	17,138	17,139	16,297
Other interest and finance charges	3,129	2,672	2,170
Transfer to departments	<u>(106,812)</u>	<u>(106,812)</u>	<u>(111,242)</u>
	<u>14,211</u>	<u>10,171</u>	<u>11,676</u>
<b>Employee benefits and payroll tax</b>			
Provincial payroll tax	5,790	6,324	6,038
Employee benefits	<u>3,417</u>	<u>3,021</u>	<u>2,421</u>
	<u>9,207</u>	<u>9,345</u>	<u>8,459</u>

**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

**Schedule 2**

**EXPENSES**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Other</b>			
Insurance and damage claims	2,877	2,878	1,739
Property taxes	1,400	1,049	1,435
Government affairs, pension contribution and other	992	(1,262)	(1,461)
	<u>5,269</u>	<u>2,665</u>	<u>1,713</u>
<b>Expenses from operations</b>	684,911	681,512	665,161
<b>Contribution to the Mill Rate Stabilization Reserve</b>	-	-	850
<b>Total Expenses</b>	<u>\$ 684,911</u>	<u>\$ 681,512</u>	<u>\$ 666,011</u>



**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

**Schedule 3**

**EXPENSES BY OBJECT**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
Salaries and employee benefits	\$ 325,939	\$ 325,470	\$ 309,478
Services	119,372	120,903	107,993
Debt and finance charges - departmental and corporate	123,204	119,143	125,413
Transfers	79,655	85,994	93,128
Materials, parts and supplies	20,155	19,620	19,245
Grants	11,425	12,818	12,933
Municipal tax, amortization, and other expenses	15,542	9,596	7,380
Assets - purchases and renovations	9,579	9,293	8,309
Provincial payroll tax	5,790	6,323	6,038
Payments to other authorities	5,359	5,912	6,290
Assessment appeals	5,200	5,200	6,100
Recoveries	(36,309)	(38,760)	(36,296)
	<u>\$ 684,911</u>	<u>\$ 681,512</u>	<u>\$ 666,011</u>

**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

Schedule 4

**SCHOOL TAXES LEVIED**

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

The amounts that were required to be raised in 2003 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 2003 with 2002 comparative figures are as follows:

	<u>2003</u>	<u>2002</u>
<b>Provincial education support program levy</b>		
Other property	\$ 69,773,244	\$ 71,594,255
Farm and residential	<u>42,854,628</u>	<u>53,150,639</u>
	<u>112,627,872</u>	<u>124,744,894</u>
 <b>Special levies (by school division)</b>		
Winnipeg No. 1	112,948,434	107,748,572
Pembina Trails No. 7	53,824,698	49,502,408
Louis Riel No. 51	50,158,505	44,995,320
River East - Transcona No. 72	41,142,064	37,452,497
St. James - Assiniboia No. 2	29,531,592	25,930,063
Seven Oaks No. 10	22,469,494	21,544,542
Seine River No. 14	2,340,683	2,212,252
Interlake No. 21	<u>9,735</u>	<u>9,399</u>
	<u>312,425,205</u>	<u>289,395,053</u>
	<u>\$ 425,053,077</u>	<u>\$ 414,139,947</u>
 <b>Allocated as follows:</b>		
Realty taxes	\$ 399,314,825	\$ 387,162,869
Payments-in-lieu of taxes	<u>25,738,252</u>	<u>26,977,078</u>
	<u>\$ 425,053,077</u>	<u>\$ 414,139,947</u>



**THE CITY OF WINNIPEG  
GENERAL REVENUE FUND**

Schedule 5

**PROJECTED 2003 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION**

*As at April 19, 2003*

	<u>Portion</u>	<u>Taxable</u>	<u>Exempt Subject to Payments-in-Lieu</u>	<u>Exempt</u>	<u>Total</u>
Residential 1	45.0%	\$ 6,844,430,624	\$ 27,798,915	\$ 24,253,271	\$ 6,896,482,810
Residential 2	45.0%	723,117,520	90,012,353	1,581,003	814,710,876
Residential 3	45.0%	446,064,289	-	32,580	446,096,869
Farm	26.0%	16,951,789	960,320	7,918,171	25,830,280
Institutional	65.0%	307,706,981	45,667,050	841,825,527	1,195,199,558
Designated higher education	39.0%	-	122,741,015	-	122,741,015
Pipelines	50.0%	6,034,000	-	-	6,034,000
Railways	25.0%	21,566,890	-	-	21,566,890
Designated recreational facilities	10.0%	3,520,655	-	1,038,790	4,559,445
Other	65.0%	3,644,703,588	343,395,765	689,335,017	4,677,434,370
59 Legislative buildings	65.0%	-	4,802,950	-	4,802,950
		<u>\$ 12,014,096,336</u>	<u>\$ 635,378,368</u>	<u>\$ 1,565,984,359</u>	<u>\$ 14,215,459,063</u>





# THE CITY OF WINNIPEG

## GENERAL REVENUE ENTERPRISES FUND

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

### FIVE-YEAR REVIEW

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

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Internal service operations and other programs:					
Revenues	\$ 3,081	\$ 3,299	\$ 3,355	\$ 3,043	\$ 3,067
Expenditures	<u>2,881</u>	<u>2,886</u>	<u>2,815</u>	<u>3,145</u>	<u>2,317</u>
Surplus/(Deficit)	<u>\$ 200</u>	<u>\$ 413</u>	<u>\$ 540</u>	<u>\$ (102)</u>	<u>\$ 750</u>

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

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Due from General Revenue Fund (Note 3)	\$ 5,784	\$ 4,931
Accounts receivable	-	18
Inventories	<u>23</u>	<u>27</u>
	5,807	4,976
Deferred charges	<u>8</u>	<u>8</u>
	<u>\$ 5,815</u>	<u>\$ 4,984</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 3	\$ 11
Deferred revenue	<u>1,365</u>	<u>726</u>
	1,368	737
<b>RETAINED EQUITY</b>	<u>4,447</u>	<u>4,247</u>
	<u>\$ 5,815</u>	<u>\$ 4,984</u>

*See accompanying notes to the financial statements*



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

**STATEMENT OF OPERATIONS AND RETAINED EQUITY**

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

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Permits and fees	\$ 2,345	\$ 2,686
Sales of goods and services	423	440
Transfer from Land Operating Reserve	313	173
	<u>3,081</u>	<u>3,299</u>
<b>EXPENDITURES</b>		
Street cuts operations	2,256	2,140
Printing and duplicating operations	317	360
Real estate enterprises	221	284
Riverbank management operations	58	45
Libraries programs	29	57
	<u>2,881</u>	<u>2,886</u>
Total Expenditures (Note 4)	<u>2,881</u>	<u>2,886</u>
<b>SURPLUS FROM OPERATIONS</b>	200	413
<b>RETAINED EQUITY, BEGINNING OF YEAR</b>	<u>4,247</u>	<u>3,834</u>
<b>RETAINED EQUITY, END OF YEAR</b>	<u>\$ 4,447</u>	<u>\$ 4,247</u>

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG GENERAL REVENUE ENTERPRISES FUND

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003  
(in thousands of dollars)*

### **1. Summary of Significant Accounting Policies**

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

#### **a) Basis of presentation**

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

#### **b) Basis of accounting**

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

#### **c) Inventories**

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

#### **d) Deferred revenue**

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

### **2. Status of the General Revenue Enterprises Fund**

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

### **3. Due from General Revenue Fund**

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

**4. Expenditures by Object**

	<u>2003</u>	<u>2002</u>
Goods and services	\$ 2,709	\$ 2,656
Miscellaneous	172	230
	<u>\$ 2,881</u>	<u>\$ 2,886</u>





## THE CITY OF WINNIPEG GENERAL CAPITAL FUND

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

By March 31 of each year, Council is required under **The City of Winnipeg Charter** to approve a budget for the General Capital Fund. The 2003 budget for the General Capital Fund of \$116.2 million was a 6.2% decrease from the 2002 budget of \$123.9 million. Capital expenditures in 2003 relating to 2003 and previous years capital budgets, decreased from \$120.3 million in 2002 to \$110.1 million in 2003.

Of the \$110.1 million of total 2003 capital expenditures, \$14.0 million were for costs relating to the Residential Street Renewal program which is partially funded by the Province of Manitoba (\$5.0 million). Other significant projects contributing to 2003 expenditures were: \$19.9 million for the construction of the Provencher Bridge, \$10.4 million for the Connexus project, \$2.0 million for the construction of Waterfront Drive, \$2.9 million for the St Mary's Road portion of the regional street renewal program and \$2.3 million for the PARCS replacement program.

No debenture (external) tax-supported borrowing authority was approved by Council for 2003 and no new external borrowing authority has been projected to 2008. Internal financing from the Equity in Capital Assets Fund increased in 2003 by 19.24%. The Equity in Capital Assets Fund is increasing at a rate of about 11.63% per year with interest charges on capital financing and investment income contributing to the growth of the fund. Yearly internal financing from the Equity in Capital Assets Fund is forecasted to be \$56.9 million in 2004 and then decreasing to \$54.3 million in 2005.

# THE CITY OF WINNIPEG GENERAL CAPITAL FUND

## FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

	2003	2002	2001	2000	1999
<b>Capital Assets</b>					
Property, plant and equipment					
Streets and bridges	\$ 337,544	\$ 321,596	\$ 305,672	\$ 289,274	\$ 305,372
Special projects	126,098	119,822	114,661	126,823	120,824
Land drainage sewers	57,593	63,484	68,213	72,979	78,688
Culture and recreation	51,822	50,774	52,191	55,961	58,900
Civic accommodations	44,297	47,382	49,336	49,124	50,940
WDA/Core area initiative	38,154	42,776	46,832	48,805	51,622
Protection	28,346	28,003	32,673	36,302	37,079
Health and social development	5,167	5,718	6,488	7,481	8,473
Local improvements	3,734	4,614	4,534	9,824	11,726
Convention centre	2,748	2,966	3,207	3,435	3,670
	<u>\$ 695,503</u>	<u>\$ 687,135</u>	<u>\$ 683,807</u>	<u>\$ 700,008</u>	<u>\$ 727,294</u>
% change in capital assets	1.22%	0.49%	-2.31%	-3.75%	0.42%
<b>Internal Financing</b>					
Equity in Capital Assets Fund	<u>\$ 278,546</u>	<u>\$ 233,599</u>	<u>\$ 208,633</u>	<u>\$ 190,723</u>	<u>\$ 188,234</u>
% change in internal financing	19.24%	11.97%	9.39%	1.32%	4.95%
<b>Debenture Debt</b>					
Outstanding debenture debt	\$ 464,055	\$ 549,310	\$ 604,547	\$ 609,724	\$ 714,145
Sinking fund reserve	<u>(157,064)</u>	<u>(251,824)</u>	<u>(246,765)</u>	<u>(213,913)</u>	<u>(215,770)</u>
Net debenture debt	<u>\$ 306,991</u>	<u>\$ 297,486</u>	<u>\$ 357,782</u>	<u>\$ 395,811</u>	<u>\$ 498,375</u>
% change in net debenture debt	3.20%	-16.85%	-9.61%	-20.58%	2.17%
Capital lease obligation	\$ 25,919	\$ 27,348	\$ 26,785	\$ 26,615	\$ 27,141
Other long-term debt	<u>22,800</u>	<u>21,900</u>	<u>23,900</u>	<u>22,900</u>	<u>17,450</u>
Other long-term debt	<u>\$ 48,719</u>	<u>\$ 49,248</u>	<u>\$ 50,685</u>	<u>\$ 49,515</u>	<u>\$ 44,591</u>
Total long-term debt (including other long-term debt)	<u>\$ 634,256</u>	<u>\$ 580,333</u>	<u>\$ 617,100</u>	<u>\$ 636,049</u>	<u>\$ 731,200</u>
Internal Debt as a % of Total Debt	43.92%	40.25%	33.81%	29.99%	25.74%



# THE CITY OF WINNIPEG GENERAL CAPITAL FUND

## FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

	2003	2002	2001	2000	1999
<b>Contributions and Transfers</b>					
Combined Sewer					
Renewal Reserve	\$ 15,398	\$ 18,074	\$ 16,957	\$ 17,532	\$ 13,838
Province of Manitoba	12,085	12,327	16,372	19,867	17,883
Government of Canada	5,435	9,427	1,343	303	1,189
General Revenue Fund	5,072	3,900	3,192	-	-
General Purpose Reserve	2,470	-	-	-	-
Other contributions	2,140	754	2,407	2,927	1,921
Frontage levies	-	10,000	-	-	-
	<u>\$ 42,600</u>	<u>\$ 54,482</u>	<u>\$ 40,271</u>	<u>\$ 40,629</u>	<u>\$ 34,831</u>

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

Equity in Capital					
Assets Fund	<u>\$ 50,992</u>	<u>\$ 52,000</u>	<u>\$ 48,200</u>	<u>\$ 44,284</u>	<u>\$ 40,125</u>
% change in borrowing authority	-1.94%	7.88%	8.84%	10.37%	4.49%

### Total Tax-supported Capital Budget

Tax-supported (excluding Transit)	<u>\$ 116,233</u>	<u>\$ 123,905</u>	<u>\$ 81,453</u>	<u>\$ 72,431</u>	<u>\$ 93,908</u>
% change in tax-supported program	-6.19%	52.12%	12.46%	-22.87%	0.83%

### Total Tax-supported Capital Expenditures

Tax-supported capital expenditures (excluding Transit)	<u>\$ 110,075</u>	<u>\$ 120,345</u>	<u>\$ 87,196</u>	<u>\$ 81,301</u>	<u>\$ 101,638</u>
% change in tax-supported program	-8.53%	38.02%	7.25%	-20.01%	0.70%

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

	2004	2005	2006	2007	2008
Equity in Capital					
Assets Fund	<u>\$ 56,922</u>	<u>\$ 54,322</u>	<u>\$ 51,641</u>	<u>\$ 55,300</u>	<u>\$ 58,550</u>
% change in borrowing authority	11.63%	-4.57%	-4.94%	7.09%	5.88%

**THE CITY OF WINNIPEG  
GENERAL CAPITAL FUND**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Accounts receivable (Note 3)	\$ 6,419	\$ 2,600
Capital assets (Note 4)	<u>695,503</u>	<u>687,135</u>
	<u>\$ 701,922</u>	<u>\$ 689,735</u>
<b>LIABILITIES</b>		
Current		
Due to General Revenue Fund (Note 5)	\$ 54,433	\$ 90,363
Accounts payable and accrued liabilities (Note 6)	2,492	9,108
Current portion of long-term debt (Note 7)	<u>50,762</u>	<u>49,303</u>
	107,687	148,774
Long-term debt (Note 7)	583,494	531,030
Deferred liabilities	2,039	2,015
Developer deposits	7,455	6,788
Other deposits	<u>1,247</u>	<u>1,128</u>
	<u>\$ 701,922</u>	<u>\$ 689,735</u>

*See accompanying notes and schedule to the financial statements*

**THE CITY OF WINNIPEG  
GENERAL CAPITAL FUND**

**STATEMENT OF CASH FLOWS**

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

	<u>2003</u>	<u>2002</u>
<b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b>		
<b><i>OPERATING</i></b>		
Non-cash charges to operations (recorded in the General Revenue Fund)		
Depreciation	\$ 59,107	\$ 62,535
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	<u>(8,530)</u>	<u>(11,752)</u>
Working capital from operations	50,577	50,783
Net change in working capital	(10,435)	2,129
Net change in deferred liabilities and deposits	<u>810</u>	<u>248</u>
	<u>40,952</u>	<u>53,160</u>
<b><i>FINANCING</i></b>		
Debt issues	83,550	-
Debenture debt retired	(168,805)	(55,237)
Payments from The Sinking Fund Trustees for long-term debt retired	122,572	28,219
Payments to The Sinking Fund Trustees for outstanding long-term debt	(19,282)	(21,526)
Net increase in Equity in Capital Assets Fund debt	44,947	24,966
Due to General Revenue Fund	(35,930)	37,718
Other	<u>(529)</u>	<u>(1,437)</u>
	<u>26,523</u>	<u>12,703</u>
<b><i>INVESTING</i></b>		
Purchase of capital assets (Schedule 1)	(110,075)	(120,345)
Government of Canada capital grants	5,435	9,427
Province of Manitoba capital grants	12,085	12,327
Transfer from Combined Sewer Renewal Reserve	15,398	18,074
Transfer from General Revenue Fund	5,072	3,900
Transfer from General Purpose Reserve	2,470	-
Frontage levies	-	10,000
Other	<u>2,140</u>	<u>754</u>
	<u>(67,475)</u>	<u>(65,863)</u>
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>

*See accompanying notes and schedule to the financial statements*



# THE CITY OF WINNIPEG GENERAL CAPITAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

(in thousands of dollars, except as noted)

### 1. *Summary of Significant Accounting Policies*

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

#### a) **Basis of presentation**

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

#### b) **Basis of accounting**

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

#### c) **Capital assets**

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

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

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

- i) all capital assets, including land, financed through reserve funds, capital leases or the issue of debentures, are subject to depreciation, and
- ii) assets are depreciated as they are funded which may not coincide with when the assets are actually put into service.

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

#### d) **Debenture discount and issue expense**

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

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

**e) Deferred liabilities**

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

**2. Status of the General Capital Fund**

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

**3. Accounts Receivable**

	<u>2003</u>	<u>2002</u>
Province of Manitoba	\$ 6,419	\$ 2,047
Government of Canada	-	553
	<u>\$ 6,419</u>	<u>\$ 2,600</u>

**4. Capital Assets**

	<u>2003</u>	<u>2002</u>
Property, plant and equipment		
Streets and bridges	\$ 337,544	\$ 321,596
Special projects	126,098	119,822
Land drainage sewers	57,593	63,484
Culture and recreation	51,822	50,774
Civic accommodations	44,297	47,382
WDA/Core area initiative	38,154	42,776
Protection	28,346	28,003
Health and social development	5,167	5,718
Local improvements	3,734	4,614
Convention centre	2,748	2,966
	<u>\$ 695,503</u>	<u>\$ 687,135</u>

**5. Due to General Revenue Fund**

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

**6. Accounts Payable and Accrued Liabilities**

	<u>2003</u>	<u>2002</u>
Contractors' holdbacks	\$ 2,426	\$ 3,559
Trade accounts payable	66	5,540
Other accrued liabilities	-	9
	<u>\$ 2,492</u>	<u>\$ 9,108</u>

## 7. Long-term Debt

### Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2003	2002
1988-2003	Feb. 23	10.250	VF	4783/88	\$ -	\$ 69,300
1993-2003	May 19	8.500	VP	6163/93	-	93,907
1991-2004	Nov. 1	10.000	VL	5779/91	30,206	30,206
1990-2005	Oct. 1	11.700	VI	5507/90	40,078	40,078
1999-2009	Feb. 2	5.350	VV	7368/99	50,000	50,000
1989-2009	Dec. 14	10.000	VH	5286/89	68,065	68,065
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	30,500	30,500
1995-2015	May 12	9.125	VR	6620/95	55,000	55,000
1997-2017	Nov. 17	6.250	VU	7000/97	30,000	30,000
					<b>343,849</b>	<b>507,056</b>
Equity in Sinking Fund (Note 7c)					<b>(157,064)</b>	<b>(251,824)</b>
Net sinking fund debentures outstanding					<b>186,785</b>	<b>255,232</b>
<b>Other long-term debt outstanding</b>						
Serial and installment debt issued by the City with varying maturities up to 2013 and a weighted average interest rate of 5.34% (2002 - 5.93%)					<b>120,206</b>	<b>42,254</b>
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2023 and a weighted average interest rate of 5.95% (2002 - 6.85%)					<b>278,546</b>	<b>233,599</b>
Capital lease obligations with varying maturities up to 2028 and a weighted average interest rate of 9.40% (2002 - 9.33%) (Note 7d)					<b>25,919</b>	<b>27,348</b>
Other long-term debt					<b>22,800</b>	<b>21,900</b>
					<b>634,256</b>	<b>580,333</b>
Current portion of debenture debt					<b>(24,232)</b>	<b>(24,880)</b>
Current portion of Equity in Capital Assets Fund debt					<b>(25,313)</b>	<b>(23,317)</b>
Current portion of capital lease obligation					<b>(1,217)</b>	<b>(1,106)</b>
					<b>(50,762)</b>	<b>(49,303)</b>
					<b>\$ 583,494</b>	<b>\$ 531,030</b>



7. *Long-term Debt (continued)*

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Thereafter</u>
Sinking fund debentures	\$ 30,206	\$ 40,078	\$ -	\$ -	\$ -	\$ 273,565
Serial, other and installment debt	12,395	12,983	13,601	26,080	8,057	69,890
Equity in Capital Assets Fund	25,313	21,280	18,774	17,215	16,151	179,813
Capital lease obligations	<u>1,217</u>	<u>1,081</u>	<u>1,144</u>	<u>1,643</u>	<u>1,342</u>	<u>19,492</u>
	<u>\$ 69,131</u>	<u>\$ 75,422</u>	<u>\$ 33,519</u>	<u>\$ 44,938</u>	<u>\$ 25,550</u>	<u>\$ 542,760</u>

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

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

The following sinking fund debenture has matured with a sinking fund deficiency. As anticipated, it will be refinanced at a later date.

<u>Year of Maturity</u>	<u>Debenture By-Law</u>	<u>Issued Amount</u>	<u>Maturity Shortfall</u>
2003	6163/93	\$ 93,907	\$ 40,635

- b) All debentures are general obligations of the City. Debenture debt is allocated to the General Capital Fund and utilities in the amounts shown in the issuing by-law.
- c) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date, levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

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

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

2004	\$	3,550
2005		3,323
2006		3,299
2007		3,707
2008		3,275
thereafter		<u>37,057</u>
Total future minimum lease payments		54,211
Amount representing interest at a weighted average interest rate of 9.40%		<u>(28,292)</u>
Balance of the capital lease obligations	\$	<u><u>25,919</u></u>

**8. Contributions and Grants**

	<u>2003</u>	<u>2002</u>
Combined Sewer Renewal Reserve	\$ 15,398	\$ 18,074
Province of Manitoba	12,085	12,327
Government of Canada	5,435	9,427
General Revenue Fund	5,072	3,900
General Purpose Reserve	2,470	-
Other contributions	2,140	754
Frontage levies	-	10,000
	<u>\$ 42,600</u>	<u>\$ 54,482</u>

The above represents contributions and grants towards capital expenditures incurred by The City of Winnipeg.

**9. Comparative Figures**

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

**THE CITY OF WINNIPEG  
GENERAL CAPITAL FUND**

Schedule 1

**CAPITAL EXPENDITURES**

*For the year ended December 31, 2003  
(in thousands of dollars)*

	<u>Capital Expenditures</u>	<u>Amount Unfinanced</u>
<b>General Municipal Purposes</b>		
Streets and bridges	\$ 43,456	\$ 24,518
Special projects	27,782	7,640
Land drainage sewers	23,254	4,595
Culture and recreation	7,419	5,298
Civic accommodations	4,423	3,284
Protection	3,261	3,547
Local improvements	418	444
Winnipeg Development Agreement	62	8,031
Health and social development	-	1,198
	<u>\$ 110,075</u>	<u>\$ 58,555</u>

Administration fees and interim financing charges capitalized during 2003 were \$1.1 million (2002 - \$1.6 million).

Included in the Amount Unfinanced balance is \$40.6 million in maturity shortfalls, as disclosed in Note 7a.





## **THE CITY OF WINNIPEG STABILIZATION RESERVES**

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

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

On March 20, 1997, Council, through the adoption of the Financial Stability Plan, approved changing the name of the fund to the Fiscal Stabilization Reserve Fund and the establishment of the Mill Rate Stabilization Reserve Fund to fund deficits recorded in the General Revenue Fund. The regulations of each fund are identified below.

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

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

### **Fiscal Stabilization Reserve Fund**

This fund was created by City Council to counteract the budgetary effects of fluctuations from year to year in tax revenue caused by additions to and deletions from the tax roll due to new construction, demolitions or improvements to land and is subject to the following regulations:

- That no transfers from the Reserve be made to the General Revenue Fund to fund current operations;
- That the current funding arrangement through net taxes added be maintained;
- That the target level be established at a minimum level of 5% of the General Revenue Fund's adopted budget expenses;
- That once the Reserve balance exceeds 5% of the General Revenue Fund's adopted budget expenses, the excess amount be considered for utilization only to provide for major unforeseen expenses;
- That any use of these funds be contingent upon approval by two-thirds of Council; and
- The use of these funds in any given year be limited to no more than 20% of the prior year's reserve balance.

On May 23, 2001, Council amended the above regulations. Beginning in 2002, the Fiscal Stabilization Reserve is limited to interest earned, and the revenue from net supplementary taxes added in a year is recorded as revenue in the General Revenue Fund. The regulation regarding utilization of excess funds over the 5% target was replaced as previously indicated.

The City Treasurer is the Fund Manager.

## **THE CITY OF WINNIPEG STABILIZATION RESERVES (continued)**

### **Mill Rate Stabilization Reserve Fund**

The long-term purpose of the reserve is to fund deficits recorded in the General Revenue Fund in order to assist in the stabilization of the City's mill rate and/or property tax requirements and is subject to the following regulations:

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

On May 23, 2001, Council amended the above regulations. The regulation regarding utilization of excess funds over the 5% target was replaced as previously indicated.

The City Treasurer is the Fund Manager.



# THE CITY OF WINNIPEG STABILIZATION RESERVES

## FIVE-YEAR REVIEW

As at December 31

(in thousands of dollars)

	2003	2002	2001	2000	1999
<b>Fiscal Stabilization Reserve Fund</b>					
Net realty taxes added to					
the assessment roll	\$ 604	\$ 69	\$ 5,888	\$ 11,322	\$ 8,452
New home tax credit	\$ -	\$ -	\$ 320	\$ 1,109	\$ 2,078
Interest earned	\$ 970	\$ 789	\$ 1,249	\$ 966	\$ 445
Transfer from Pension					
Surplus Reserve	\$ -	\$ -	\$ 7,035	\$ -	\$ -
Transfer to Mill Rate					
Stabilization Reserve	\$ 456	\$ 268	\$ 6,075	\$ -	\$ -
<b>Mill Rate Stabilization Reserve Fund</b>					
Transfer from Pension					
Surplus Reserve	\$ -	\$ -	\$ 9,664	\$ -	\$ -
Transfer from Fiscal					
Stabilization Reserve	\$ 456	\$ 268	\$ 6,075	\$ -	\$ -
Transfer from					
General Revenue Fund	\$ -	\$ 850	\$ 565	\$ 932	\$ 1,143
Transfer from Commitment					
Reserve	\$ -	\$ 107	\$ 156	\$ 52	\$ 7
Interest	\$ 735	\$ 567	\$ 456	\$ 289	\$ 173

**THE CITY OF WINNIPEG  
STABILIZATION RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Fiscal Stabilization Reserve</u>	<u>Mill Rate Stabilization Reserve</u>	<u>Totals 2003</u>	<u>Totals 2002</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	<u>\$ 34,246</u>	<u>\$ 26,342</u>	<u>\$ 60,588</u>	<u>\$ 58,279</u>
<b>EQUITY</b>				
Unallocated	<u>\$ 34,246</u>	<u>\$ 26,342</u>	<u>\$ 60,588</u>	<u>\$ 58,279</u>

*See accompanying notes to the financial statements*

**THE CITY OF WINNIPEG  
STABILIZATION RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

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

	<b>Fiscal Stabilization Reserve</b>	<b>Mill Rate Stabilization Reserve</b>	<b>Totals 2003</b>	<b>Totals 2002</b>
Balance, beginning of year	<u>\$ 33,128</u>	<u>\$ 25,151</u>	<u>\$ 58,279</u>	<u>\$ 55,897</u>
Add:				
Interest earned	970	735	1,705	1,356
Net realty taxes added to the assessment roll	604	-	604	69
Transfer from Fiscal Stabilization Reserve	-	456	456	268
Transfer from General Revenue Fund	-	-	-	850
Transfer from Commitment Reserve	-	-	-	107
	<u>1,574</u>	<u>1,191</u>	<u>2,765</u>	<u>2,650</u>
Deduct:				
Transfer to Mill Rate Stabilization Reserve	<u>456</u>	<u>-</u>	<u>456</u>	<u>268</u>
Balance, end of year	<u><u>\$ 34,246</u></u>	<u><u>\$ 26,342</u></u>	<u><u>\$ 60,588</u></u>	<u><u>\$ 58,279</u></u>

*See accompanying notes to the financial statements*



# THE CITY OF WINNIPEG STABILIZATION RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

(in thousands of dollars, except as noted)

### 1. *Summary of Significant Accounting Policies*

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

#### a) **Basis of presentation**

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

Fiscal Stabilization Reserve Fund

Mill Rate Stabilization Reserve Fund

#### b) **Basis of accounting**

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

### 2. *Status of the Stabilization Reserves Fund*

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

On March 20, 1997, Council, through the adoption of the Financial Stability Plan, approved changing the name of the fund to the Fiscal Stabilization Reserve Fund and the establishment of the Mill Rate Stabilization Reserve Fund to fund deficits recorded in the General Revenue Fund. The regulations of each fund are identified later on.

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

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

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

### **Fiscal Stabilization Reserve Fund**

This fund was created by City Council to counteract the budgetary effects of fluctuations from year to year in tax revenue caused by additions to and deletions from the tax roll due to new construction, demolitions or improvements to land and is subject to the following regulations:

- That no transfers from the Reserve be made to the General Revenue Fund to fund current operations;
- That the current funding arrangement through net taxes added be maintained;
- That the target level be established at a minimum level of 5% of the General Revenue Fund's adopted budget expenses;
- That once the Reserve balance exceeds 5% of the General Revenue Fund's adopted budget expenses, the excess amount be considered for utilization only to provide for major unforeseen expenses;
- That any use of these funds be contingent upon approval by two-thirds of Council; and
- The use of these funds in any given year be limited to no more than 20% of the prior year's reserve balance.

On May 23, 2001, Council amended the above regulations. Beginning in 2002, the Fiscal Stabilization Reserve is limited to interest earned, and the revenue from net supplementary taxes added in a year is recorded as revenue in the General Revenue Fund. The regulation regarding utilization of excess funds over the 5% target was replaced as previously indicated.

The City Treasurer is the Fund Manager.

### **Mill Rate Stabilization Reserve Fund**

The long-term purpose of the reserve is to fund deficits recorded in the General Revenue Fund in order to assist in the stabilization of the City's mill rate and/or property tax requirements and is subject to the following regulations:

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

On May 23, 2001, Council amended the above regulations. The regulation regarding utilization of excess funds over the 5% target was replaced as previously indicated.

The City Treasurer is the Fund Manager.

## **3. *Due from General Revenue Fund***

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





## **THE CITY OF WINNIPEG CAPITAL RESERVES**

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

### **Equipment Replacement Reserve Fund**

On May 28, 2003, Council approved the Fleet Management Agency Selection Report for Special Operating Agency status effective January 1, 2003. This resulted in the retained surplus of the Equipment Replacement Reserve being transferred to the Agency thereby eliminating the need for the Reserve.

### **Watermain Renewal Reserve Fund**

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

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

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

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

The Director of Water and Waste is the Fund Manager.

### **Combined Sewer Renewal Reserve Fund**

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

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

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

The Director of Water and Waste is the Fund Manager.

## **THE CITY OF WINNIPEG CAPITAL RESERVES (continued)**

### **Wastewater Sewer Renewal Reserve Fund**

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

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

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

The Director of Water and Waste is the Fund Manager.

### **Water Treatment Reserve Fund**

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

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

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

On July 17, 2002, Council approved an amendment to the baseline water treatment process to include ultra violet (UV) light disinfection. In addition, Council approved an amendment to the schedule for implementation of water treatment to facilitate staged implementation with construction of a UV facility to be operational in 2004, construction of a chloramination facility to be operational in 2005 and construction of the balance of the water treatment plant be operational in 2007. Total cost of the water treatment plant is estimated at \$214 million.

The Director of Water and Waste is the Fund Manager.



## **THE CITY OF WINNIPEG CAPITAL RESERVES (continued)**

### **Environmental Projects Reserve Fund**

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental projects to improve river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve to more accurately reflect the environmental nature of the projects this Reserve was set up to fund. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based on the amount of water consumption billed. The reserve currently funds the ongoing ammonia, nitrification and combined sewer overflow studies and the construction of disinfection facilities at the Water Pollution Control Centres.

In October 2002 the Manitoba Clean Environment Commission (CEC) was requested by the Conservation Minister to conduct a public hearing to review and receive public comments on the City of Winnipeg's wastewater collection and treatment systems and to consider plans proposed by the City for its future upgrading and continued operation. On September 26, 2003, the Province of Manitoba issued direction to The City of Winnipeg to implement a wastewater treatment improvement plan as recommended by the Clean Environment Commission. This Reserve will fund a portion of this program.

The Director of Water and Waste is the Fund Manager.

### **Brady Landfill Site Rehabilitation Reserve Fund**

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

The Director of Water and Waste is the Fund Manager.

### **Golf Course Reserve Fund**

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

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

### **Library Reserve Fund**

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



## **THE CITY OF WINNIPEG CAPITAL RESERVES (continued)**

### **Transit Bus Replacement Reserve Fund**

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

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

### **Concession Equipment Replacement Reserve Fund**

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

### **Computer Replacement Reserve Fund**

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

### **Aqueduct Rehabilitation Reserve Fund**

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The Reserve is financed through a monthly transfer from the Waterworks System Fund based on the amount of water consumption billed. Prior to 1996, funds were appropriated in the Waterworks System Fund for the Aqueduct Rehabilitation project. The final year for contributions to the Aqueduct Reserve is 2003. The project will be completed in late 2004.

The Director of Water and Waste is the Fund Manager.

# THE CITY OF WINNIPEG CAPITAL RESERVES

## FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

	2003	2002	2001	2000	1999
<b>Equipment Replacement Reserve Fund</b>					
Cost of equipment purchased	\$ -	\$ 7,029	\$ 21,915	\$ 8,569	\$ 4,061
Total revenue	\$ -	\$ 8,065	\$ 8,327	\$ 8,125	\$ 8,490
Number of vehicles purchased	-	124	264	141	65
<b>Watermain Renewal Reserve Fund</b>					
Frontage levy revenue	\$ 6,753	\$ 2,713	\$ 6,702	\$ 6,667	\$ 6,659
Watermain renewals funded	\$ 6,541	\$ 8,964	\$ 7,940	\$ 7,399	\$ 7,944
Kilometres of watermains	2,420	2,418	2,427	2,411	2,410
Watermain repairs	1,009	589	724	607	720
<b>Combined Sewer Renewal Reserve Fund</b>					
Frontage levy revenue	\$ 19,999	\$ 13,427	\$ 19,400	\$ 17,353	\$ 15,805
Sewer renewals funded	\$ 15,398	\$ 18,074	\$ 16,957	\$ 17,532	\$ 13,838
Kilometres of sewers	1,092	1,091	1,075	1,078	1,075
Kilometres of sewer renewed	6.00	7.27	7.51	7.54	5.02
<b>Wastewater Sewer Renewal Reserve Fund</b>					
Frontage levy revenue	\$ -	\$ -	\$ -	\$ 421	\$ 421
Sewer renewals funded	\$ 547	\$ 73	\$ -	\$ 26	\$ 365
Kilometres of sewers	1,398	1,390	1,331	1,310	1,291
Kilometres of sewer renewed	0.05	0.15	-	-	0.52
<b>Water Treatment Reserve Fund</b>					
Transfer from					
Waterworks System	\$ 10,114	\$ 9,651	\$ 11,243	\$ 11,138	\$ 10,832
Transfer to Waterworks					
System Capital	\$ -	\$ 301	\$ 301	\$ 24	\$ 252
<b>Environmental Projects Reserve Fund</b>					
Transfer from Sewage					
Disposal System	\$ 7,047	\$ 6,810	\$ 7,006	\$ 6,866	\$ 6,181
Transfer to Sewage Disposal					
System Capital	\$ 1,187	\$ 935	\$ 453	\$ 792	\$ 5,403
<b>Brady Landfill Site Rehabilitation Reserve Fund</b>					
Transfer from Solid					
Waste Disposal	\$ 168	\$ 169	\$ 176	\$ 175	\$ 143
<b>Golf Course Reserve Fund</b>					
Transfer from General					
Revenue Fund	\$ -	\$ -	\$ 18	\$ 229	\$ 118
<b>Library Reserve Fund</b>					
Library fines	\$ 392	\$ 520	\$ 563	\$ 757	\$ 751



**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**FIVE-YEAR REVIEW (continued)**

*As at December 31*

*("\$" amounts in thousands of dollars)*

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>Transit Bus Replacement Reserve Fund</b>					
Transfer (to)/from					
Transit System, net	\$ (3,708)	\$ (2,788)	\$ 660	\$ 4,853	\$ (3,915)
Number of buses financed	50	32	20	-	60
<b>Concession Equipment Replacement Reserve Fund</b>					
Contributions	\$ 13	\$ 13	\$ 23	\$ 33	\$ 37
Purchases of equipment	\$ 13	\$ 4	\$ 4	\$ 32	\$ 15
<b>Computer Replacement Reserve Fund</b>					
Allocation of equity:					
Corporate Finance	\$ 617	\$ 507	\$ 394	\$ 212	\$ 96
Community Services	413	279	62	158	66
Public Works	84	-	-	-	-
CAO Secretariat	20	14	11	10	6
EPC Secretariat	9	4	-	-	-
	<u>\$ 1,143</u>	<u>\$ 804</u>	<u>\$ 467</u>	<u>\$ 380</u>	<u>\$ 168</u>
<b>Aqueduct Rehabilitation Reserve Fund</b>					
Transfer from					
Waterworks System	\$ 2,639	\$ 5,812	\$ 4,982	\$ 5,047	\$ 5,340
Transfer to Waterworks System Capital	\$ 3,458	\$ 8,242	\$ 5,659	\$ 4,813	\$ 5,516





**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Equipment Replacement Reserve</u>	<u>Watermain Renewal Reserve</u>	<u>Combined Sewer Reserve</u>	<u>Wastewater Sewer Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ -	\$ 1,391	\$ 21,917	\$ 452
Call loans - General Revenue Fund	-	-	-	-
Accounts receivable	-	-	-	-
	<u>-</u>	<u>1,391</u>	<u>21,917</u>	<u>452</u>
Investments (Note 4)	-	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
Capital assets (Note 6)	-	-	-	-
	<u>\$ -</u>	<u>\$ 1,391</u>	<u>\$ 21,917</u>	<u>\$ 452</u>
<b>LIABILITIES</b>				
Current				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<b>EQUITY</b>				
Allocated	-	627	17,291	220
Unallocated	-	764	4,626	232
	<u>-</u>	<u>1,391</u>	<u>21,917</u>	<u>452</u>
	<u>\$ -</u>	<u>\$ 1,391</u>	<u>\$ 21,917</u>	<u>\$ 452</u>

*See accompanying notes to the financial statements*

<u>Water Treatment Reserve</u>	<u>Environmental Projects Reserve</u>	<u>Brady Landfill Reserve</u>	<u>Golf Course Reserve</u>	<u>Library Reserve</u>	<u>Sub-total</u>
\$ 2,599	\$ 39,175	\$ 1	\$ 1,533	\$ 3,199	\$ 70,267
6,627	-	423	-	-	7,050
403	-	2	-	-	405
9,629	39,175	426	1,533	3,199	77,722
68,319	-	1,150	-	-	69,469
-	-	-	150	-	150
1,125	-	-	-	-	1,125
<u>\$ 79,073</u>	<u>\$ 39,175</u>	<u>\$ 1,576</u>	<u>\$ 1,683</u>	<u>\$ 3,199</u>	<u>\$ 148,466</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
79,073	39,175	1,576	-	-	137,962
-	-	-	1,683	3,199	10,504
79,073	39,175	1,576	1,683	3,199	148,466
<u>\$ 79,073</u>	<u>\$ 39,175</u>	<u>\$ 1,576</u>	<u>\$ 1,683</u>	<u>\$ 3,199</u>	<u>\$ 148,466</u>



**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Sub-total Brought Forward</u>	<u>Transit Bus Replacement Reserve</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 70,267	\$ 1,147	\$ 99	\$ 1,143
Call loans - General Revenue Fund	7,050	-	-	-
Accounts receivable	405	-	-	-
	<u>77,722</u>	<u>1,147</u>	<u>99</u>	<u>1,143</u>
Investments (Note 4)	69,469	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	150	-	-	-
Capital assets (Note 6)	1,125	-	-	-
	<u>\$ 148,466</u>	<u>\$ 1,147</u>	<u>\$ 99</u>	<u>\$ 1,143</u>
<b>LIABILITIES</b>				
Current				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<b>EQUITY</b>				
Allocated	137,962	1,147	-	1,143
Unallocated	10,504	-	99	-
	<u>148,466</u>	<u>1,147</u>	<u>99</u>	<u>1,143</u>
	<u>\$ 148,466</u>	<u>\$ 1,147</u>	<u>\$ 99</u>	<u>\$ 1,143</u>

*See accompanying notes to the financial statements*

<u>Aqueduct Rehabilitation Reserve</u>	<u>Totals 2003</u>	<u>Totals 2002</u>
\$ 1,949	\$ 74,605	\$ 77,084
-	7,050	11,672
-	405	447
1,949	82,060	89,203
-	69,469	53,175
-	150	75
-	1,125	-
<u>\$ 1,949</u>	<u>\$ 152,804</u>	<u>\$ 142,453</u>
\$ -	\$ -	\$ 709
1,949	142,201	122,606
-	10,603	19,138
1,949	152,804	141,744
<u>\$ 1,949</u>	<u>\$ 152,804</u>	<u>\$ 142,453</u>

**THE CITY OF WINNIPEG  
CAPITAL RESERVES**

**STATEMENT OF CHANGES IN EQUITY**

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

	<u>Equipment Replacement Reserve</u>	<u>Watermain Renewal Reserve</u>	<u>Combined Sewer Reserve</u>	<u>Wastewater Sewer Reserve</u>
Balance, beginning of year	\$ 11,143	\$ 1,048	\$ 16,539	\$ 973
Add:				
Frontage levies	-	6,753	19,999	-
Transfer from Waterworks System	-	-	-	-
Transfer from Sewage Disposal System	-	-	-	-
Interest earned	-	131	777	26
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	-
Transfer from Building Services Fund	-	-	-	-
Transfer from Equipment Material Services	-	-	-	-
Provision for replacement of equipment	-	-	-	-
Other	-	-	-	-
	<u>11,143</u>	<u>7,932</u>	<u>37,315</u>	<u>999</u>
Deduct:				
Transfer to General Capital Fund	-	-	15,398	-
Transfer to Fleet Management - Special Operating Agency	11,143	-	-	-
Transfer to Waterworks System	-	6,541	-	-
Transfer to Transit System	-	-	-	-
Transfer to Sewage Disposal System	-	-	-	547
Other	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to Assiniboine Park Enterprise Reserve	-	-	-	-
	<u>11,143</u>	<u>6,541</u>	<u>15,398</u>	<u>547</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 1,391</u>	<u>\$ 21,917</u>	<u>\$ 452</u>

*See accompanying notes to the financial statements*



<u>Water Treatment Reserve</u>	<u>Environmental Projects Reserve</u>	<u>Brady Landfill Reserve</u>	<u>Golf Course Reserve</u>	<u>Library Reserve</u>	<u>Sub-total</u>
\$ 65,433	\$ 32,280	\$ 1,327	\$ 1,631	\$ 3,132	\$ 133,506
-	-	-	-	-	26,752
10,114	-	-	-	-	10,114
-	7,047	-	-	-	7,047
3,542	1,035	81	52	94	5,738
-	-	-	-	392	392
-	-	168	-	-	168
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>79,089</u>	<u>40,362</u>	<u>1,576</u>	<u>1,683</u>	<u>3,618</u>	<u>183,717</u>
-	-	-	-	-	15,398
-	-	-	-	-	11,143
-	-	-	-	-	6,541
-	-	-	-	-	-
-	1,187	-	-	-	1,734
16	-	-	-	419	435
-	-	-	-	-	-
-	-	-	-	-	-
<u>16</u>	<u>1,187</u>	<u>-</u>	<u>-</u>	<u>419</u>	<u>35,251</u>
<u>\$ 79,073</u>	<u>\$ 39,175</u>	<u>\$ 1,576</u>	<u>\$ 1,683</u>	<u>\$ 3,199</u>	<u>\$ 148,466</u>

# THE CITY OF WINNIPEG CAPITAL RESERVES

## STATEMENT OF CHANGES IN EQUITY

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

	<u>Sub-total Brought Forward</u>	<u>Transit Bus Replacement Reserve</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>
Balance, beginning of year	\$ 133,506	\$ 4,659	\$ 96	\$ 804
Add:				
Frontage levies	26,752	-	-	-
Transfer from Waterworks System	10,114	-	-	-
Transfer from Sewage Disposal System	7,047	-	-	-
Interest earned	5,738	196	3	28
Transfer from General Revenue Fund	392	-	13	428
Transfer from Solid Waste Disposal	168	-	-	-
Transfer from Building Services Fund	-	-	-	19
Transfer from Equipment Material Services	-	-	-	3
Provision for replacement of equipment	-	-	-	-
Other	-	-	-	-
	<u>183,717</u>	<u>4,855</u>	<u>112</u>	<u>1,282</u>
Deduct:				
Transfer to General Capital Fund	15,398	-	-	-
Transfer to Fleet Management - Special Operating Agency	11,143	-	-	-
Transfer to Waterworks System	6,541	-	-	-
Transfer to Transit System	-	3,708	-	-
Transfer to Sewage Disposal System	1,734	-	-	-
Other	435	-	-	-
Purchase of equipment	-	-	13	139
Transfer to Assiniboine Park Enterprise Reserve	-	-	-	-
	<u>35,251</u>	<u>3,708</u>	<u>13</u>	<u>139</u>
Balance, end of year	<u>\$ 148,466</u>	<u>\$ 1,147</u>	<u>\$ 99</u>	<u>\$ 1,143</u>

See accompanying notes to the financial statements

<b>Aqueduct Rehabilitation Reserve</b>	<b>Totals 2003</b>	<b>Totals 2002</b>
\$ 2,679	\$ 141,744	\$ 135,614
-	26,752	16,140
2,639	12,753	15,463
-	7,047	6,810
89	6,054	5,539
-	833	946
-	168	169
-	19	-
-	3	-
-	-	7,170
-	-	657
<b>5,407</b>	<b>195,373</b>	<b>188,508</b>
-	15,398	18,074
-	11,143	-
3,458	9,999	17,507
-	3,708	2,788
-	1,734	1,008
-	435	216
-	152	7,128
-	-	43
<b>3,458</b>	<b>42,569</b>	<b>46,764</b>
<b>\$ 1,949</b>	<b>\$ 152,804</b>	<b>\$ 141,744</b>



# THE CITY OF WINNIPEG CAPITAL RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003*

*(in thousands of dollars, except as noted)*

### 1. *Summary of Significant Accounting Policies*

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

#### a) **Basis of presentation**

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

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

#### b) **Basis of accounting**

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

#### c) **Investment in bonds and debentures**

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

#### d) **Bond residues and coupons**

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

### 2. *Status of the Capital Reserves*

#### **Equipment Replacement Reserve Fund**

On May 28, 2003, Council approved the Fleet Management Agency Selection Report for Special Operating Agency status effective January 1, 2003. This resulted in the retained surplus of the Equipment Replacement Reserve being transferred to the Agency thereby eliminating the need for the Reserve.

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

### **Watermain Renewal Reserve Fund**

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

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

The Director of Water and Waste is the Fund Manager.

### **Combined Sewer Renewal Reserve Fund**

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

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

The Director of Water and Waste is the Fund Manager.

### **Wastewater Sewer Renewal Reserve Fund**

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

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

The Director of Water and Waste is the Fund Manager.

### **Water Treatment Reserve Fund**

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

The Reserve is financed through a monthly transfer from the Waterworks System Fund. The 2003 water rates include a provision of 39.50 cents (2002 - 37.38 cents) per 100 cubic feet of billed water consumption to fund this transfer. The Director of Water and Waste is the Fund Manager.



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

### **Environmental Projects Reserve Fund**

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality.

City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

On September 26, 2003, the Province of Manitoba issued direction to the City of Winnipeg to implement a wastewater treatment improvement plan as recommended by the Clean Environment Commission. This Reserve will fund a portion of this program.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2003 sewer rates include a provision of 27.60 cents (2002 - 27.60 cents) per 100 cubic feet of billed water consumption to fund this transfer. The Director of Water and Waste is the Fund Manager.

### **Brady Landfill Site Rehabilitation Reserve Fund**

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

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

### **Golf Course Reserve Fund**

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

### **Library Reserve Fund**

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

### **Transit Bus Replacement Reserve Fund**

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

The Director of Transit is the Fund Manager.



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

**Concession Equipment Replacement Reserve Fund**

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

**Computer Replacement Reserve Fund**

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

**Aqueduct Rehabilitation Reserve Fund**

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

The Reserve is financed through a monthly transfer from the Waterworks System Fund. The 2003 water rates include a provision of 7.69 cents (2002 - 23.75 cents) per 100 cubic feet of billed water consumption to fund this transfer. Prior to 1996, funds were appropriated in the Waterworks System Fund for the Aqueduct Rehabilitation project. The final year for contributions to the Aqueduct Reserve is 2003. The project will be completed in late 2004. The Director of Water and Waste is the Fund Manager.

3. *Due from General Revenue Fund*

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

4. *Investments*

	<u>2003</u>	<u>2002</u>
Marketable securities		
Provincial bonds, bond residues and coupons	\$ 44,004	\$ 26,298
Government of Canada bonds, bond residues and coupons	<u>25,465</u>	<u>26,877</u>
	<u>\$ 69,469</u>	<u>\$ 53,175</u>

The aggregate market value of marketable securities at December 31, 2003 is \$71,206 thousand (2002 - \$56,022 thousand).

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

	<u>2003</u>	<u>2002</u>
Golf course improvements loan, interest at 6%, with principle repayments scheduled over 10 years, commencing 2004.	<u>\$ 150</u>	<u>\$ 75</u>

**6. *Capital Assets***

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

**7. *Comparative Figures***

Commencing in 2003, the activities of the Water Treatment, and Brady Landfill Reserve Funds administered by The Sinking Fund Trustees of the City of Winnipeg are included in the Capital Reserves Financial Statements. Previously, these Reserves were reported separately.



## **THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES**

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

### **Workers Compensation Reserve Fund**

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

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

The Corporate Controller is the Fund Manager.

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

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

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

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

The Sinking Fund Trustees are also empowered to accept deposits in respect of perpetual maintenance of individual cemetery plots but no such deposits have been accepted since 1951.

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

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



## **THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES (continued)**

### **Insurance Reserve Fund**

In 1960, The City of Winnipeg authorized the establishment of an Insurance Reserve Fund which was to be used, at its discretion, 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 City authorized the use of the Insurance Reserve Fund for 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, 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, Council adopted the recommendation that revenue would be apportioned among the communities on the basis of 75% to the account of the community in which the revenue was collected and 25% to be divided equally among all communities. This change was phased in over three years commencing in 1991.

Expenses are limited to the acquisition or improvement of land for parks, recreation facilities, or open space. The Director of Planning, Property and Development is the Fund Manager.

### **Land Operating Reserve Fund**

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

Disbursements from this Reserve are limited to the cost of acquisition 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.

Council has, since 1993, given higher priority to the marketing of surplus real estate assets. In accordance with Council directives, 5% of the gross sales revenue is allocated to the Historical Building Program and another 5% of gross sales revenue is allocated to the Enhanced Land Marketing Program to finance those activities necessary to facilitate the sale of surplus lands.

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

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

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



## **THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES (continued)**

### **Recreation Programming Reserve Fund**

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

The Reserve fund balance is annually affected by the amount of the unexpended budgets in the recreation programming centres in the General Revenue Fund (or reduced by any over expenditure) and by interest earned.

Expenses are limited to goods and services of the recreation programming type under the delegated authority of the Community Committee. The Director of Community Services is the Fund Manager.

### **Snow Clearing Reserve Fund**

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

### **Idea Bank Reserve Fund**

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

### **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 rebudget. Contributions to the Reserve must be spent in the year following the transfer. However, contributions can be retained in the Reserve beyond the following year only if approved by the Fund Manager, otherwise the unspent amount must be transferred to the Mill Rate Stabilization Reserve.

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

The Chief Financial Officer is the Fund Manager.



## **THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES (continued)**

### **Heritage Investment Reserve Fund**

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

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

### **Housing Rehabilitation Investment Reserve Fund**

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

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

### **Economic Development Investment Reserve Fund**

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

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

### **Assiniboine Park Enterprise Reserve Fund**

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

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

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



## **THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES (continued)**

### **Assiniboine Park Enterprise Reserve Fund (continued)**

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

The Director of Community Services is the Fund Manager.

### **General Purpose Reserve Fund**

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by 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 are not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve is contingent upon approval by Council.

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

The City Treasurer is the Fund Manager.

# THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

## FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

	2003	2002	2001	2000	1999
<b>Workers Compensation Reserve Fund</b>					
Call loans - General					
Revenue Fund	\$ 2,712	\$ 1,350	\$ 1,392	\$ 486	\$ 230
Investments	\$ 2,866	\$ 3,272	\$ 3,005	\$ 3,718	\$ 3,943
Interest income	\$ 251	\$ 232	\$ 249	\$ 258	\$ 262
<b>Brookside Cemetery Reserve Fund</b>					
Call loans - General					
Revenue Fund	\$ 236	\$ 132	\$ 122	\$ 18	\$ 15
Investments	\$ 9,032	\$ 8,914	\$ 8,348	\$ 7,794	\$ 7,219
Interest income	\$ 707	\$ 1,023	\$ 962	\$ 888	\$ 812
<b>St. Vital Cemetery Reserve Fund</b>					
Call loans - General					
Revenue Fund	\$ 26	\$ 35	\$ 44	\$ 45	\$ 44
Investments	\$ 481	\$ 436	\$ 394	\$ 357	\$ 322
Interest income	\$ 47	\$ 43	\$ 40	\$ 15	\$ 11
<b>Transcona Cemetery Reserve Fund</b>					
Call loans - General					
Revenue Fund	\$ 53	\$ 56	\$ 59	\$ 57	\$ 54
Investments	\$ 302	\$ 274	\$ 249	\$ 227	\$ 206
Interest income	\$ 30	\$ 27	\$ 26	\$ 24	\$ 22
<b>Insurance Reserve Fund</b>					
Call loans - General					
Revenue Fund	\$ 697	\$ 2,611	\$ 523	\$ 611	\$ 1,170
Investments	\$ 6,416	\$ 7,599	\$ 9,683	\$ 8,791	\$ 7,616
Interest income	\$ 460	\$ 567	\$ 596	\$ 543	\$ 517
<b>Contributions in Lieu of Land Dedication Reserve Fund</b>					
Revenues					
Cash dedications	\$ 628	\$ 1,162	\$ 286	\$ 288	\$ 413
Interest	\$ 74	\$ 56	\$ 86	\$ 124	\$ 111
Expenses					
Park improvements	\$ 906	\$ 619	\$ 505	\$ 1,180	\$ 1,669
<b>Land Operating Reserve Fund</b>					
Number of properties sold	88	65	66	72	49
Number acquired - inventory	-	-	-	-	3
Number acquired - tax sale	78	133	59	35	16
Number exchanged	2	4	1	4	-
Transfer to					
General Revenue Fund	\$ -	\$ -	\$ -	\$ 4,892	\$ 4,000

# THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

## FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

	2003	2002	2001	2000	1999
<b>Recreation Programming Reserve Fund</b>					
Transfer from					
General Revenue Fund	\$ -	\$ 100	\$ 100	\$ 93	\$ 390
Total approved					
projects/programs	\$ 75	\$ 68	\$ 160	\$ 394	\$ 76
Number approved	18	21	37	42	9
<b>Snow Clearing Reserve Fund</b>					
Transfer from					
General Revenue Fund	\$ 58	\$ 1,933	\$ 1,951	\$ -	\$ 2,253
<b>Idea Bank Reserve Fund</b>					
Approved loans	\$ 108	\$ 240	\$ 171	\$ 100	\$ -
Loan repayments	\$ 18	\$ 2	\$ 2	\$ 27	\$ 83
<b>Commitment Reserve Fund</b>					
Allocation of equity:					
Winnipeg Police Service	\$ 960	\$ 1,112	\$ 242	\$ 825	\$ 149
Public Works	933	1,679	605	1,033	309
Planning, Property and Development	880	1,321	501	222	3,637
Corporate and other	737	2,810	1,770	2,013	1,148
Corporate Services	698	646	710	559	558
Community Services	413	244	319	437	331
Winnipeg Fire Paramedic Service	394	91	963	1,286	707
Corporate Finance	232	255	98	157	159
Property Assessment	-	28	113	-	325
Winnipeg Hydro	-	-	278	541	491
	\$ 5,247	\$ 8,186	\$ 5,599	\$ 7,073	\$ 7,814
<b>Heritage Investment Reserve Fund</b>					
Transfer from General Revenue Fund	\$ 1,300	\$ 1,700	\$ 2,056	\$ 2,120	\$ -
<b>Housing Rehabilitation Investment Reserve Fund</b>					
Transfer from General Revenue Fund	\$ 705	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
<b>Economic Development Investment Reserve Fund</b>					
Transfer from General Revenue Fund	\$ -	\$ 4,975	\$ 1,000	\$ 1,000	\$ -



**THE CITY OF WINNIPEG  
SPECIAL PURPOSE RESERVES**

**FIVE-YEAR REVIEW (continued)**

*As at December 31*

*("\$" amounts in thousands of dollars)*

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>Assiniboine Park Enterprise Reserve Fund</b>					
Animals sold	58	74	91	63	129
Animals purchased	43	9	138	112	68
Exhibits	106	106	106	106	106
Total animal collection					
species	360	330	330	276	328
specimens	2,525	1,800	1,805	1,720	1,700
Zoo attendance (persons)	321,385	324,352	334,481	358,265	385,377
<b>General Purpose Reserve Fund</b>					
Transfer to (from) General					
Revenue Fund	\$ 2,158	\$ -	\$ (1,721)	\$ -	\$ -
Transfer from Pension					
Surplus Reserve	\$ -	\$ -	\$ 16,699	\$ -	\$ -
Transfer from Pension					
Stabilization Reserve	\$ -	\$ -	\$ 9,530	\$ -	\$ -
Transfer to General					
Capital Fund	\$ 2,470	\$ -	\$ -	\$ -	\$ -
Transfer to Transit					
System Fund	\$ 1,700	\$ -	\$ -	\$ -	\$ -
Grants	\$ 3,500	\$ 3,500	\$ -	\$ -	\$ -
Interest revenue	\$ 669	\$ 647	\$ 1,507	\$ -	\$ -



**THE CITY OF WINNIPEG  
SPECIAL PURPOSE RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Workers Compensation Reserve</u>	<u>Brookside Cemetery Reserve</u>	<u>St. Vital Cemetery Reserve</u>	<u>Transcona Cemetery Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ -	\$ -	\$ -	\$ -
Call loans - General Revenue Fund	2,712	236	26	53
Accounts receivable	27	14	-	-
Loans receivable (Note 4)	-	-	-	-
	<u>2,739</u>	<u>250</u>	<u>26</u>	<u>53</u>
Investments (Note 5)	2,866	9,032	481	302
Deferred charges	-	-	-	-
Inventory	-	-	-	-
	<u>\$ 5,605</u>	<u>\$ 9,282</u>	<u>\$ 507</u>	<u>\$ 355</u>
<b>LIABILITIES</b>				
Current				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to General Revenue Fund (Note 6)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EQUITY</b>				
Contributed surplus (Note 7)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Allocated	-	-	-	-
Unallocated	5,605	9,282	507	355
	<u>5,605</u>	<u>9,282</u>	<u>507</u>	<u>355</u>
	<u>\$ 5,605</u>	<u>\$ 9,282</u>	<u>\$ 507</u>	<u>\$ 355</u>

*See accompanying notes to the financial statements*



<u>Insurance Reserve</u>	<u>Land Dedication Reserve</u>	<u>Land Operating Reserve</u>	<u>Recreation Programming Reserve</u>	<u>Snow Clearing Reserve</u>	<u>Sub-Total</u>
\$ -	\$ 2,405	\$ 4,255	\$ 164	\$ 9,161	\$ 15,985
697	-	-	-	-	3,724
32	-	298	-	-	371
-	-	-	-	-	-
<u>729</u>	<u>2,405</u>	<u>4,553</u>	<u>164</u>	<u>9,161</u>	<u>20,080</u>
6,416	-	1,754	-	-	20,851
-	-	43	-	-	43
-	-	12,272	165	-	12,437
<u>\$ 7,145</u>	<u>\$ 2,405</u>	<u>\$ 18,622</u>	<u>\$ 329</u>	<u>\$ 9,161</u>	<u>\$ 53,411</u>
\$ -	\$ -	\$ 3,500	\$ -	\$ -	\$ 3,500
-	-	-	-	-	-
-	-	3,500	-	-	3,500
-	-	8,425	-	-	8,425
-	-	1,790	329	9,161	11,280
7,145	2,405	4,907	-	-	30,206
<u>7,145</u>	<u>2,405</u>	<u>6,697</u>	<u>329</u>	<u>9,161</u>	<u>41,486</u>
<u>\$ 7,145</u>	<u>\$ 2,405</u>	<u>\$ 18,622</u>	<u>\$ 329</u>	<u>\$ 9,161</u>	<u>\$ 53,411</u>

**THE CITY OF WINNIPEG  
SPECIAL PURPOSE RESERVES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>Sub-Total Brought Forward</u>	<u>Idea Bank Reserve</u>	<u>Commitment Reserve</u>	<u>Heritage Investment Reserve</u>
<b>ASSETS</b>				
Current				
Due from General Revenue Fund (Note 3)	\$ 15,985	\$ 1,389	\$ 5,275	\$ 8,695
Call loans - General Revenue Fund	3,724	-	-	-
Accounts receivable	371	-	-	28
Loans receivable (Note 4)	-	108	-	-
	<u>20,080</u>	<u>1,497</u>	<u>5,275</u>	<u>8,723</u>
Investments (Note 5)	20,851	-	-	-
Deferred charges	43	-	-	-
Inventory	12,437	-	-	-
	<u>\$ 53,411</u>	<u>\$ 1,497</u>	<u>\$ 5,275</u>	<u>\$ 8,723</u>
<b>LIABILITIES</b>				
Current				
Accounts payable	\$ 3,500	\$ -	\$ 28	\$ -
Due to General Revenue Fund (Note 6)	-	-	-	-
	<u>3,500</u>	<u>-</u>	<u>28</u>	<u>-</u>
<b>EQUITY</b>				
Contributed surplus (Note 7)	<u>8,425</u>	<u>-</u>	<u>-</u>	<u>-</u>
Allocated	11,280	-	-	-
Unallocated	30,206	1,497	5,247	8,723
	<u>41,486</u>	<u>1,497</u>	<u>5,247</u>	<u>8,723</u>
	<u>\$ 53,411</u>	<u>\$ 1,497</u>	<u>\$ 5,275</u>	<u>\$ 8,723</u>

*See accompanying notes to the financial statements*

<u>Housing Rehabilitation Reserve</u>	<u>Economic Development Reserve</u>	<u>Assiniboine Park Enterprise Reserve</u>	<u>General Purpose Reserve</u>	<u>Totals 2003</u>	<u>Totals 2002</u>
\$ 1,803	\$ 5,606	\$ 636	\$ 16,923	\$ 56,312	\$ 77,021
-	-	-	-	3,724	4,184
46	2	-	-	447	1,034
-	-	-	-	108	240
<u>1,849</u>	<u>5,608</u>	<u>636</u>	<u>16,923</u>	<u>60,591</u>	<u>82,479</u>
-	-	-	-	20,851	22,250
-	-	-	-	43	48
-	-	395	-	12,832	14,398
<u>\$ 1,849</u>	<u>\$ 5,608</u>	<u>\$ 1,031</u>	<u>\$ 16,923</u>	<u>\$ 94,317</u>	<u>\$ 119,175</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,528	\$ 15,718
-	-	-	-	-	3,289
-	-	-	-	3,528	19,007
-	-	-	-	8,425	8,425
-	-	-	-	11,280	12,125
<u>1,849</u>	<u>5,608</u>	<u>1,031</u>	<u>16,923</u>	<u>71,084</u>	<u>79,618</u>
<u>1,849</u>	<u>5,608</u>	<u>1,031</u>	<u>16,923</u>	<u>82,364</u>	<u>91,743</u>
<u>\$ 1,849</u>	<u>\$ 5,608</u>	<u>\$ 1,031</u>	<u>\$ 16,923</u>	<u>\$ 94,317</u>	<u>\$ 119,175</u>



# THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

## STATEMENT OF CHANGES IN EQUITY

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

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Transcona Cemetery Reserve
Balance, beginning of year	\$ 5,088	\$ 9,045	\$ 472	\$ 331
Add:				
Land sales	-	-	-	-
Transfer from General Revenue Fund	267	64	10	8
Interest earned	251	707	47	30
Municipal realty tax	-	-	-	-
Cash payments in lieu of land dedication	-	-	-	-
Transfer from Civic Accommodations Fund	-	-	-	-
Transfer from Transit System Fund	-	-	-	-
Animal sales, zoo and other	-	-	-	-
Transfer from Waterworks System Fund	-	-	-	-
Transfer from Solid Waste Disposal Fund	-	-	-	-
Transfer from Animal Services - Special Operating Agency	-	-	-	-
Transfer from Equipment and Material Services Fund	-	-	-	-
Transfer from Land Operating Reserve	-	-	-	-
Transfer from Concession Equipment Replacement Reserve	-	-	-	-
	<u>518</u>	<u>771</u>	<u>57</u>	<u>38</u>
Deduct:				
Other	1	4	1	1
Grants	-	-	-	-
Transfer to General Revenue Fund	-	530	21	13
Transfer to General Capital Fund	-	-	-	-
Cost of sales	-	-	-	-
Transfer to Transit System Fund	-	-	-	-
Purchase of equipment	-	-	-	-
Park land and improvements	-	-	-	-
Transfer to General Revenue Enterprises	-	-	-	-
Transfer to Building Services Fund	-	-	-	-
Transfer to Fleet Management - Special Operating Agency	-	-	-	-
Transfer to Sewage Disposal System Fund	-	-	-	-
Transfer to Civic Accommodations Fund	-	-	-	-
Transfer to Golf Services - Special Operating Agency	-	-	-	-
Transfer to Mill Rate Stabilization Reserve	-	-	-	-
Transfer to Land Dedication Reserve	-	-	-	-
Transfer to Waterworks System Fund	-	-	-	-
Transfer to Equipment and Material Services Fund	-	-	-	-
	<u>1</u>	<u>534</u>	<u>22</u>	<u>14</u>
Balance, end of year	<u>\$ 5,605</u>	<u>\$ 9,282</u>	<u>\$ 507</u>	<u>\$ 355</u>

See accompanying notes to the financial statements

<b>Insurance Reserve</b>	<b>Land Dedication Reserve</b>	<b>Land Operating Reserve</b>	<b>Recreation Programming Reserve</b>	<b>Snow Clearing Reserve</b>	<b>Sub-Total</b>
<b>\$ 6,536</b>	<b>\$ 2,609</b>	<b>\$ 4,773</b>	<b>\$ 607</b>	<b>\$ 8,845</b>	<b>\$ 38,306</b>
-	-	6,308	-	-	6,308
-	-	-	-	58	407
460	74	117	7	258	1,951
-	-	-	-	-	-
-	628	-	-	-	628
-	-	-	-	-	-
272	-	-	-	-	272
-	-	-	-	-	-
85	-	-	-	-	85
32	-	-	-	-	32
1	-	-	-	-	1
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>850</b>	<b>702</b>	<b>6,425</b>	<b>7</b>	<b>316</b>	<b>9,684</b>
3	-	2,540	285	-	2,835
-	-	-	-	-	-
17	-	-	-	-	581
-	-	-	-	-	-
-	-	1,648	-	-	1,648
-	-	-	-	-	-
-	-	-	-	-	-
-	906	-	-	-	906
-	-	313	-	-	313
108	-	-	-	-	108
43	-	-	-	-	43
40	-	-	-	-	40
16	-	-	-	-	16
14	-	-	-	-	14
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>241</b>	<b>906</b>	<b>4,501</b>	<b>285</b>	<b>-</b>	<b>6,504</b>
<b>\$ 7,145</b>	<b>\$ 2,405</b>	<b>\$ 6,697</b>	<b>\$ 329</b>	<b>\$ 9,161</b>	<b>\$ 41,486</b>

# THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

## STATEMENT OF CHANGES IN EQUITY

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

	Sub-Total Brought Forward	Idea Bank Reserve	Commitment Reserve	Heritage Investment Reserve
Balance, beginning of year	\$ 38,306	\$ 1,438	\$ 8,186	\$ 7,329
Add:				
Land sales	6,308	-	-	-
Transfer from General Revenue Fund	407	18	2,629	1,300
Interest earned	1,951	41	-	214
Municipal realty tax	-	-	-	850
Cash payments in lieu of land dedication	628	-	-	-
Transfer from Civic Accommodations Fund	-	-	580	-
Transfer from Transit System Fund	272	-	-	-
Animal sales, zoo and other	-	-	-	-
Transfer from Waterworks System Fund	85	-	-	-
Transfer from Solid Waste Disposal Fund	32	-	-	-
Transfer from Animal Services - Special Operating Agency	1	-	-	-
Transfer from Equipment and Material Services Fund	-	-	-	-
Transfer from Land Operating Reserve	-	-	-	-
Transfer from Concession Equipment Replacement Reserve	-	-	-	-
	<u>9,684</u>	<u>59</u>	<u>3,209</u>	<u>2,364</u>
Deduct:				
Other	2,835	-	3,778	835
Grants	-	-	-	135
Transfer to General Revenue Fund	581	-	822	-
Transfer to General Capital Fund	-	-	-	-
Cost of sales	1,648	-	-	-
Transfer to Transit System Fund	-	-	-	-
Purchase of equipment	-	-	1,548	-
Park land and improvements	906	-	-	-
Transfer to General Revenue Enterprises	313	-	-	-
Transfer to Building Services Fund	108	-	-	-
Transfer to Fleet Management - Special Operating Agency	43	-	-	-
Transfer to Sewage Disposal System Fund	40	-	-	-
Transfer to Civic Accommodations Fund	16	-	-	-
Transfer to Golf Services - Special Operating Agency	14	-	-	-
Transfer to Mill Rate Stabilization Reserve	-	-	-	-
Transfer to Land Dedication Reserve	-	-	-	-
Transfer to Waterworks System Fund	-	-	-	-
Transfer to Equipment and Material Services Fund	-	-	-	-
	<u>6,504</u>	<u>-</u>	<u>6,148</u>	<u>970</u>
Balance, end of year	<u>\$ 41,486</u>	<u>\$ 1,497</u>	<u>\$ 5,247</u>	<u>\$ 8,723</u>

See accompanying notes to the financial statements



<b>Housing Rehabilitation Reserve</b>	<b>Economic Development Reserve</b>	<b>Assiniboine Park Enterprise Reserve</b>	<b>General Purpose Reserve</b>	<b>Totals 2003</b>	<b>Totals 2002</b>
<b>\$ 2,227</b>	<b>\$ 7,072</b>	<b>\$ 1,103</b>	<b>\$ 26,082</b>	<b>\$ 91,743</b>	<b>\$ 88,451</b>
-	-	-	-	6,308	3,827
705	-	5	-	5,064	16,352
52	351	18	669	3,296	3,357
-	177	-	-	1,027	278
-	-	-	-	628	1,162
-	-	-	-	580	659
-	-	-	-	272	284
-	2	218	-	220	710
-	-	-	-	85	-
-	-	-	-	32	7
-	-	-	-	1	-
-	-	-	-	-	250
-	-	-	-	-	83
-	-	-	-	-	43
<b>757</b>	<b>530</b>	<b>241</b>	<b>669</b>	<b>17,513</b>	<b>27,012</b>
30	320	189	-	7,987	9,361
1,105	1,409	-	3,500	6,149	4,914
-	265	-	2,158	3,826	1,844
-	-	-	2,470	2,470	-
-	-	124	-	1,772	2,220
-	-	-	1,700	1,700	2,645
-	-	-	-	1,548	1,502
-	-	-	-	906	619
-	-	-	-	313	173
-	-	-	-	108	-
-	-	-	-	43	-
-	-	-	-	40	237
-	-	-	-	16	11
-	-	-	-	14	-
-	-	-	-	-	107
-	-	-	-	-	83
-	-	-	-	-	2
-	-	-	-	-	2
<b>1,135</b>	<b>1,994</b>	<b>313</b>	<b>9,828</b>	<b>26,892</b>	<b>23,720</b>
<b>\$ 1,849</b>	<b>\$ 5,608</b>	<b>\$ 1,031</b>	<b>\$ 16,923</b>	<b>\$ 82,364</b>	<b>\$ 91,743</b>

# THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

(in thousands of dollars, except as noted)

### 1. Summary of Significant Accounting Policies

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

#### a) Basis of presentation

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

Workers Compensation Reserve Fund  
Perpetual Maintenance Reserve Funds  
- Brookside Cemetery  
- St. Vital Cemetery  
- Transcona Cemetery  
Insurance Reserve Fund  
Contributions in Lieu of Land  
Dedication Reserve Fund  
Land Operating Reserve Fund

Recreation Programming Reserve Fund  
Snow Clearing Reserve Fund  
Idea Bank Reserve Fund  
Commitment Reserve Fund  
Heritage Investment Reserve Fund  
Housing Rehabilitation Investment Reserve Fund  
Economic Development Investment Reserve Fund  
Assiniboine Park Enterprise Reserve Fund  
General Purpose Reserve Fund

#### b) Basis of accounting

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

#### c) Investment in bonds and debentures

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

#### d) Bond residues and coupons

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

#### e) Inventory

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

## **2. Status of the Special Purpose Reserves**

### **Workers Compensation Reserve Fund**

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

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

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

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

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

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

The Sinking Fund Trustees were also empowered to accept deposits in respect of perpetual maintenance of individual cemetery plots but no such deposits had been accepted since 1951.

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

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

### **Insurance Reserve Fund**

In 1960, The City of Winnipeg authorized the establishment of an Insurance Reserve Fund which was to be used, at its discretion, 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 City authorized the use of the Insurance Reserve Fund for the purpose of paying for any other losses that the City might incur in any part of its self-insurance program. Such uses would include third party liability claims, or property damage claims, including motor vehicles.

The Corporate Controller is the Fund Manager.



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

### **Contributions in Lieu of Land Dedication Reserve Fund**

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

### **Land Operating Reserve Fund**

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

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

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

### **Recreation Programming Reserve Fund**

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

The Director of Community Services is the Fund Manager.

### **Snow Clearing Reserve Fund**

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

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

### **Idea Bank Reserve Fund**

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

### **Commitment Reserve Fund**

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

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

The Chief Financial Officer is the Fund Manager.

### **Heritage Investment Reserve Fund**

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

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

### **Housing Rehabilitation Investment Reserve Fund**

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

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

### **Economic Development Investment Reserve Fund**

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

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



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

### **Assiniboine Park Enterprise Reserve Fund**

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

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

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

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

The Director of Community Services is the Fund Manager.

### **General Purpose Reserve Fund**

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by 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 are not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve is contingent upon approval by Council.

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

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. Cash transactions are credited or charged to the "Due from/(to)" account in each fund. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.



**4. Loans Receivable**

	<u>2003</u>	<u>2002</u>
Animal Services - Special Operating Agency	\$ 100	\$ 225
General Revenue Fund	8	15
	<u>\$ 108</u>	<u>\$ 240</u>

**5. Investments**

	<u>2003</u>	<u>2002</u>
Marketable securities		
Government of Canada bonds, bond residues and coupons	\$ 14,864	\$ 11,205
Provincial bonds, bond residues and coupons	4,233	9,291
	<u>19,097</u>	<u>20,496</u>
Property held for resale	<u>1,754</u>	<u>1,754</u>
	<u>\$ 20,851</u>	<u>\$ 22,250</u>

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

The aggregate market value of marketable securities at December 31, 2003 is \$21,066 thousand (\$22,776 thousand).

**6. Due to (from) General Revenue Fund**

	<u>2003</u>	<u>2002</u>
Insurance Reserve	\$ -	\$ 3,718
Workers Compensation Reserve	-	(429)
	<u>\$ -</u>	<u>\$ 3,289</u>

**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 to the General Revenue Fund to fund the accrued liability for assessment appeal refunds and interest.

**8. Comparative Figures**

Commencing in 2003, the activities of the Workers Compensation, Perpetual Maintenance, and Insurance Reserve Funds are included in the Special Reserves Financial Statements. Previously, these Reserves were reported separately because they were administered by The Sinking Fund Trustees.



## THE CITY OF WINNIPEG EQUITY IN CAPITAL ASSETS FUND

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

Interest earnings on capital financing have contributed to the growth of the Fund to \$306.0 million as at December 31, 2003 (2002 - \$274.3 million).

The Fund has been used since it was created for the financing of capital construction, primarily by the General Capital Fund, but also by other reserves and utilities. This source of financing allows greater flexibility than is available through debenture debt financing. In 2003, \$69.9 million (2002 - \$49.2 million) of new capital works were financed through the Fund at terms ranging from five to twenty years.

### FIVE-YEAR REVIEW

*As at December 31*

*("\$" amounts in thousands of dollars)*

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Total Assets	\$ 305,951	\$ 274,317	\$ 246,239	\$ 221,039	\$ 201,265
Capital Construction Financed	\$ 69,862	\$ 49,181	\$ 43,101	\$ 29,201	\$ 34,459
Interest Earned	\$ 31,634	\$ 28,078	\$ 25,200	\$ 19,774	\$ 16,973
Principal Retirals	\$ 25,078	\$ 25,073	\$ 26,209	\$ 27,578	\$ 25,225



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

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Due from General Revenue Fund (Note 3)	\$ 21,103	\$ 34,111
Current portion of long-term investments (Note 4)	<u>25,942</u>	<u>24,246</u>
	47,045	58,357
Long-term investments (Note 4)	<u>258,906</u>	<u>215,960</u>
	<u>\$ 305,951</u>	<u>\$ 274,317</u>
 <b>EQUITY</b>		
Allocated	\$ 280,877	\$ 236,093
Unallocated	<u>25,074</u>	<u>38,224</u>
	<u>\$ 305,951</u>	<u>\$ 274,317</u>

*See accompanying notes to the financial statements*

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

**STATEMENT OF CHANGES IN EQUITY**

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

	<u>2003</u>	<u>2002</u>
Balance, beginning of year	\$ 274,317	\$ 246,239
Add:		
Interest	<u>31,634</u>	<u>28,078</u>
Balance, end of year	<u>\$ 305,951</u>	<u>\$ 274,317</u>

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG EQUITY IN CAPITAL ASSETS FUND

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003*

*(in thousands of dollars, except as noted)*

### **1. Summary of Significant Accounting Policies**

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

#### **a) Basis of presentation**

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

#### **b) Basis of accounting**

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

#### **c) Long-term investments**

Long-term investments are valued at cost.

### **2. Status of the Equity in Capital Assets Fund**

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

### **3. Due from General Revenue Fund**

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



#### 4. Long-term Investments

At varying maturities up to the year 2023 and with a weighted average interest rate for the year 2003 of 7.37% (2002 - 7.36%) due from the following:

	<u>2003</u>	<u>2002</u>
General Capital	\$ 278,546	\$ 233,599
Civic Accommodations Fund	3,971	4,113
Transit System	1,703	1,176
Waterworks System	279	563
Solid Waste Disposal	256	399
Sewage Disposal System	93	112
Riverview Health Centre Inc. (formerly The Municipal Hospital Commission of The City of Winnipeg)	-	244
	<u>284,848</u>	<u>240,206</u>
Current portion of long-term investments:		
Riverview Health Centre Inc. (formerly The Municipal Hospital Commission of The City of Winnipeg)	-	(243)
Sewage Disposal System	(5)	(20)
Civic Accommodations Fund	(151)	(142)
Transit System	(152)	(98)
Solid Waste Disposal	(158)	(143)
Waterworks System	(163)	(283)
General Capital	(25,313)	(23,317)
	<u>(25,942)</u>	<u>(24,246)</u>
	<u>\$ 258,906</u>	<u>\$ 215,960</u>



**THE CITY OF WINNIPEG  
TRUST FUNDS**

**STATEMENT OF FINANCIAL POSITION**

*As at December 31*

	<u>St. Boniface Museum Board Trust</u>	<u>Library Trust</u>	<u>Portage and Main Concourse Trust</u>	<u>Winnipeg Evergreen Committee Trust</u>	<u>2003 Totals</u>	<u>2002 Totals</u>
<b>ASSETS</b>						
Current						
Due from General Revenue Fund (Note 3)	\$ 37,702	\$ 157,699	\$ 34,670	\$ 2,514	\$ 232,585	\$ 221,912
Accounts receivable	-	-	-	-	-	227
	<u>\$ 37,702</u>	<u>\$ 157,699</u>	<u>\$ 34,670</u>	<u>\$ 2,514</u>	<u>\$ 232,585</u>	<u>\$ 222,139</u>
<b>LIABILITIES</b>						
Current						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,394
<b>EQUITY</b>						
Unallocated	<u>37,702</u>	<u>157,699</u>	<u>34,670</u>	<u>2,514</u>	<u>232,585</u>	<u>219,745</u>
	<u>\$ 37,702</u>	<u>\$ 157,699</u>	<u>\$ 34,670</u>	<u>\$ 2,514</u>	<u>\$ 232,585</u>	<u>\$ 222,139</u>

*See accompanying notes to the financial statements*



**THE CITY OF WINNIPEG  
TRUST FUNDS**

**STATEMENT OF CHANGES IN TRUST ACCOUNTS**

*For the years ended December 31*

	<b>St. Boniface Museum Board Trust</b>	<b>Library Trust</b>	<b>Portage and Main Concourse Trust</b>	<b>Winnipeg Evergreen Committee Trust</b>	<b>2003 Totals</b>	<b>2002 Totals</b>
Opening balance	<u>\$ 39,969</u>	<u>\$ 145,574</u>	<u>\$ 33,686</u>	<u>\$ 516</u>	<u>\$ 219,745</u>	<u>\$ 214,588</u>
Add:						
Contributions	122,721	63,926	-	1,954	188,601	187,108
Interest earned	1,662	4,434	984	44	7,124	5,356
	<u>124,383</u>	<u>68,360</u>	<u>984</u>	<u>1,998</u>	<u>195,725</u>	<u>192,464</u>
Deduct:						
Disbursements	126,650	56,235	-	-	182,885	187,307
Closing balance	<u>\$ 37,702</u>	<u>\$ 157,699</u>	<u>\$ 34,670</u>	<u>\$ 2,514</u>	<u>\$ 232,585</u>	<u>\$ 219,745</u>

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG TRUST FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003*

### **1. Summary of Significant Accounting Policies**

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

#### **a) Basis of presentation**

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

#### **b) Basis of accounting**

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

### **2. Status of The City of Winnipeg Trust Funds**

#### **St. Boniface Museum Board Trust**

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

#### **Library Trust**

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

#### **Portage and Main Concourse Trust**

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

#### **Winnipeg Evergreen Committee Trust**

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

### **3. *Due from General Revenue Fund***

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



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

The Division previously operated through five self-supporting funds.

## **Equipment Services Fund**

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

## **Shops Services Fund**

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

## **Stores Services Fund**

The Stores Services Fund warehouses materials and supplies inventory used by the Public Works Department.

## **Tools and Supplies Services Fund**

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

## **Primary Materials Services Fund**

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

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

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Due from General Revenue Fund (Note 2)	\$ 148	\$ -
Accounts receivable	9	173
Current portion of loans receivable (Note 3)	58	77
Inventory	1,581	2,620
Prepaid expense	-	156
	<u>1,796</u>	<u>3,026</u>
Loans receivable (Note 3)	<u>5,448</u>	<u>3,962</u>
	<u>\$ 7,244</u>	<u>\$ 6,988</u>
<b>LIABILITIES</b>		
Current		
Due to General Revenue Fund (Note 2)	\$ -	\$ 25
Accounts payable and accrued liabilities	152	1,595
	<u>152</u>	<u>1,620</u>
Deferred gain (Note 4)	3,778	3,847
Provision for land rehabilitation	671	671
	<u>4,601</u>	<u>6,138</u>
<b>RETAINED EARNINGS</b>	<u>2,643</u>	<u>850</u>
	<u>\$ 7,244</u>	<u>\$ 6,988</u>

*See accompanying notes to the financial statements*

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

**STATEMENT OF INCOME AND RETAINED EARNINGS**

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

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Gain on sale of assets	\$ 1,586	\$ -
Interest and other revenue	460	87
Sale of goods and services (Note 5)	291	29,324
Government grants	18	70
	<u>2,355</u>	<u>29,481</u>
<b>EXPENSES</b>		
Salaries and benefits	258	6,255
Services	251	12,895
Other	53	9,720
	<u>562</u>	<u>28,870</u>
<b>NET INCOME</b>	1,793	611
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>850</u>	<u>239</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 2,643</u>	<u>\$ 850</u>

*See accompanying notes to the financial statements*



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

**STATEMENT OF CASH FLOWS**

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

	<u>2003</u>	<u>2002</u>
<b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b>		
<b><i>OPERATING</i></b>		
Net income	\$ 1,793	\$ 611
Non-cash items related to operations		
Gain realized on sale of Pine Ridge Gravel Pit	<u>(69)</u>	<u>(104)</u>
Working capital from operations	1,724	507
Net change in working capital	<u>(84)</u>	<u>(254)</u>
	1,640	253
<b><i>FINANCING</i></b>		
Due from/to General Revenue Fund	(173)	(262)
<b><i>INVESTING</i></b>		
Loans receivable	<u>(1,467)</u>	<u>9</u>
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG EQUIPMENT AND MATERIAL SERVICES

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

(in thousands of dollars, except as noted)

### 1. Summary of Significant Accounting Policies

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

#### a) Basis of accounting

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

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

#### b) Inventory

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

### 2. Due from (to) General Revenue Fund

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

### 3. Loans Receivable

	<u>2003</u>	<u>2002</u>
Glacial Sand and Gravel - Special Operating Agency		
Equipment replacement loan, interest at 6.5%, payment of \$2 thousand monthly, due September 2005	\$ -	\$ 65
Equipment financing program loan, interest at 6.5%, payment of \$5 hundred monthly, due December 2005	11	16
Equipment loan, interest at 6.5%, payment of \$5 thousand monthly, due December 2005	109	158
Gravel pit loan, interest at 6.5%, no repayment schedule	<u>3,800</u>	<u>3,800</u>
	<b>3,920</b>	<b>4,039</b>

**3. Loans Receivable (continued)**

	<u>2003</u>	<u>2002</u>
Fleet Management - Special Operating Agency		
Net operating assets loan, non-interest bearing, no repayment schedule	<u>1,586</u>	<u>-</u>
	5,506	4,039
Current portion	<u>(58)</u>	<u>(77)</u>
	<u>\$ 5,448</u>	<u>\$ 3,962</u>

**4. Deferred Gain**

	<u>2003</u>	<u>2002</u>
Pine Ridge Gravel Pit	\$ 3,800	\$ 3,800
Accumulated depletion	<u>(240)</u>	<u>(158)</u>
	<u>3,560</u>	<u>3,642</u>
Capital assets	277	277
Accumulated amortization	<u>(59)</u>	<u>(72)</u>
	<u>218</u>	<u>205</u>
	<u>\$ 3,778</u>	<u>\$ 3,847</u>

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

**5. Sale of Goods and Services**

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

**6. Employee Benefits**

**a) Vacation**

Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.

**b) Retirement allowance**

Under various union agreements, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2003 to be nil (2002 - \$0.9 million).



**6. *Employee Benefits (continued)***

**c) *Workers' compensation***

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, 2003 is estimated to be nil (2002 - \$17 thousand).

**d) *Pension***

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, \$14 thousand (2002 - \$375 thousand) of pension costs were allocated to the Fund.

**7. *General Government Charges***

The funds are charged with the estimated share of the City's general government expenditures applicable to Equipment and Material Services. In 2003, this amounted to \$136 thousand (2002 - \$484 thousand).

**8. *Comparative Figures***

On January 1, 2003, the Equipment Services, the Shops Services, and the Tools and Supplies Services Branches were transferred to the Fleet Management - Special Operating Agency. The comparative figures have not been restated to reflect this change.



## **THE CITY OF WINNIPEG CIVIC ACCOMMODATIONS FUND**

The year 2003 was the seventh year of operation under the utility accounting structure of the Civic Accommodations Fund, formerly Civic Buildings. The following is a brief background into the creation of this utility fund.

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

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

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

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

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

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



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

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

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

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

# THE CITY OF WINNIPEG CIVIC ACCOMMODATIONS FUND

## FIVE-YEAR REVIEW

*As at December 31*

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Number of facilities (1)	138	138	138	147	158
Total area square footage	2,463,860	2,463,860	2,493,000	2,800,000	2,800,000

(1) The reduction in portfolio in 2000, is due to the consolidation of addresses at the Garry/Fort Street facility and no longer managing the Public Works department's workshop facilities at Tecumseh.

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

**THE CITY OF WINNIPEG  
CIVIC ACCOMMODATIONS FUND**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash	\$ 71	\$ 244
Accounts receivable (Note 3)	367	685
Prepaid expenses	<u>435</u>	<u>435</u>
	873	1,364
Capital assets (Note 4)	<u>3,971</u>	<u>4,113</u>
	<u>\$ 4,844</u>	<u>\$ 5,477</u>
<b>LIABILITIES</b>		
Current		
Due to General Revenue Fund (Note 5)	\$ 199	\$ 139
Accounts payable and accrued liabilities (Note 6)	674	1,225
Current portion of long-term debt (Note 7)	<u>151</u>	<u>142</u>
	1,024	1,506
Long-term debt (Note 7)	<u>3,820</u>	<u>3,971</u>
	<u>\$ 4,844</u>	<u>\$ 5,477</u>
Commitments (Note 8)		

*See accompanying notes to the financial statements*



**THE CITY OF WINNIPEG  
CIVIC ACCOMMODATIONS FUND**

**STATEMENT OF OPERATIONS**

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>REVENUES</b>			
Contributions from City of Winnipeg departments (Note 10b)	\$ 29,948	\$ 29,399	\$ 29,359
Other rental	-	616	813
Miscellaneous	-	47	-
Investment and other	-	38	52
<b>Total Revenues</b>	<b>29,948</b>	<b>30,100</b>	<b>30,224</b>
<b>EXPENSES</b>			
Civic accommodations	9,831	11,624	10,598
Transfer to Building Services Fund	9,578	9,779	9,893
Debt and finance charges	7,720	5,776	6,477
Transfer to General Revenue Fund	2,819	2,921	3,256
<b>Total Expenses</b>	<b>29,948</b>	<b>30,100</b>	<b>30,224</b>
<b>Surplus for the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG CIVIC ACCOMMODATIONS FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

(in thousands of dollars, except as noted)

### 1. *Summary of Significant Accounting Policies*

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

#### a) **Basis of presentation**

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

#### b) **Basis of accounting**

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

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

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

#### c) **Capital assets**

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

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

### 2. *Status of the Civic Accommodations Fund*

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

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

**3. Accounts Receivable**

	<u>2003</u>	<u>2002</u>
Trade accounts receivable	\$ 367	\$ 686
Allowance for doubtful accounts	-	(1)
	<u>\$ 367</u>	<u>\$ 685</u>

**4. Capital Assets**

	<u>2003</u>	<u>2002</u>
Cost	\$ 4,864	\$ 4,864
Accumulated depreciation	(893)	(751)
	<u>\$ 3,971</u>	<u>\$ 4,113</u>

**5. Due to General Revenue Fund**

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

**6. Accounts Payable and Accrued Liabilities**

	<u>2003</u>	<u>2002</u>
Accrued interest on long-term debt	\$ 614	\$ 1,085
Other payables	42	14
Other accrued liabilities	18	96
Trade accounts payable	-	30
	<u>\$ 674</u>	<u>\$ 1,225</u>

**7. Long-Term Debt**

	<u>2003</u>	<u>2002</u>
Debt issued by the Equity in Capital Assets Fund which matures in the year 2019 with an interest rate of 6.5%	\$ 3,971	\$ 4,113
Current portion of long-term debt	(151)	(142)
	<u>\$ 3,820</u>	<u>\$ 3,971</u>



## 8. Commitments

### Lease commitments

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

2004	\$	3,206
2005		3,069
2006		2,936
2007		2,396
2008		1,674
Subsequent		<u>1,743</u>
	\$	<u>15,024</u>

## 9. Employee Benefits

- a) Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2003 at \$271 thousand (2002 - \$240 thousand).
- b) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2003 is estimated at \$155 thousand (2002 - \$206 thousand).
- c) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is recorded in the notes to the financial statements of the General Revenue Fund.

## 10. Contributions and Appropriations from Related Parties

- a) Included in Civic Accommodations Fund expenses are:
  - Rental payments in the amount of \$14 thousand to Fleet Management - Special Operating Agency and in 2002, \$6 thousand to the Equipment and Material Services Fund for the use of its vehicles;
  - General government charges in the amount of \$306 thousand (2002- \$306 thousand) which represents the estimated share of The City of Winnipeg's general expenses applicable to civic accommodations;
  - A transfer of \$9.8 million (2002 - \$9.9 million) to the Building Services Fund for the provision of facility maintenance services; and
  - Interest and principal payments of \$405 thousand (2002 - \$405 thousand) to the Equity in Capital Assets Fund on the purchase of the Mandarin Building.

**10. Contributions and Appropriations from Related Parties (continued)**

b) The following funds were charged for facility costs:

	<u>2003</u>	<u>2002</u>
General Revenue Fund	\$ 27,552	\$ 27,481
Sewage Disposal System	314	328
Building Services Fund	313	315
Waterworks System	309	328
Fleet Management - Special Operating Agency	271	-
General Capital Fund	201	167
Animal Services - Special Operating Agency	168	150
Civic Accommodations Fund	164	152
Solid Waste Disposal Fund	65	66
Transit System	25	25
Golf Services - Special Operating Agency	17	15
Equipment and Material Services	-	332
	<u>\$ 29,399</u>	<u>\$ 29,359</u>

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

**11. Expenses by Object**

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
Transfer to Building Services Fund	\$ 9,578	\$ 9,779	\$ 9,893
Materials and supplies	7,887	8,953	8,240
Debt and finance charges	7,720	5,776	6,477
Transfer to General Revenue Fund	2,819	2,921	3,256
Salaries and employee benefits	1,813	1,703	1,651
Transfer to Commitment Reserve	-	580	659
Other	95	284	-
Civic Accommodations Fund	167	164	152
Recoveries	(131)	(60)	(104)
	<u>\$ 29,948</u>	<u>\$ 30,100</u>	<u>\$ 30,224</u>

**12. Related Party Transactions**

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





## **THE CITY OF WINNIPEG BUILDING SERVICES FUND**

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

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

**THE CITY OF WINNIPEG  
BUILDING SERVICES FUND**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Due from General Revenue Fund (Note 3)	\$ 30	\$ 613
Accounts receivable (Note 4)	271	159
Prepaid expenses	3	3
	<u>304</u>	<u>775</u>
	<u>\$ 304</u>	<u>\$ 775</u>
 <b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 286	\$ 772
Deferred revenue	<u>18</u>	<u>3</u>
	<u>\$ 304</u>	<u>\$ 775</u>

*See accompanying notes to the financial statements*

**THE CITY OF WINNIPEG  
BUILDING SERVICES FUND**

**STATEMENT OF OPERATIONS**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>REVENUES</b>			
Contributions from City of Winnipeg departments (Note 7b)	\$ 24,947	\$ 25,748	\$ 25,267
Investment and other	314	310	286
	<u>25,261</u>	<u>26,058</u>	<u>25,553</u>
Total Revenues			
<b>EXPENSES (Note 8)</b>			
Building services	25,261	26,058	25,512
Transfer to General Revenue Fund	-	-	41
	<u>25,261</u>	<u>26,058</u>	<u>25,553</u>
Total Expenses			
Surplus for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See accompanying notes to the financial statements*



# THE CITY OF WINNIPEG BUILDING SERVICES FUND

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003*

*(in thousands of dollars, except as noted)*

### **1. Summary of Significant Accounting Policies**

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

#### **a) Basis of presentation**

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

#### **b) Basis of accounting**

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

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

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

### **2. Status of the Building Services Fund**

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

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

### **3. Due From General Revenue Fund**

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

#### 4. *Accounts Receivable*

	<u>2003</u>	<u>2002</u>
Sundry	\$ 271	\$ 106
Government of Canada	-	53
	<u>\$ 271</u>	<u>\$ 159</u>

#### 5. *Accounts Payable and Accrued Liabilities*

	<u>2003</u>	<u>2002</u>
Wages and employee benefits payable	\$ 146	\$ 117
Performance deposits	140	50
Trade accounts payable	-	605
	<u>\$ 286</u>	<u>\$ 772</u>

#### 6. *Employee Benefits*

- a) Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.
- b) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.
- c) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.

#### 7. *Contributions and Appropriations from Related Parties*

- a) Included in Building Services Fund's expenses are:
  - Rental payments in the amount of \$688 thousand to Fleet Management - Special Operating Agency and during 2002, \$674 thousand to the Equipment and Material Services Fund for the use of its vehicles;
  - General government charges in the amount of \$252 thousand (2002 - \$252 thousand) which represents the estimated share of The City of Winnipeg's general expenses applicable to Building Services; and
  - Rental payments in the amount of \$313 thousand (2002 - \$315 thousand) which represent facility costs paid to the Civic Accommodations Fund for space occupied by Building Services staff.



7. *Contributions and Appropriations from Related Parties (continued)*

b) The following funds transferred revenue to the Public Works Fund.

	<u>2003</u>	<u>2002</u>
General Revenue Fund	\$ 15,969	\$ 15,374
Civic Accommodations Fund	9,779	9,893
	<u>\$ 25,748</u>	<u>\$ 25,267</u>

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

8. *Expenses by Object*

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
Services, materials and supplies	\$ 14,478	\$ 16,151	\$ 15,408
Salaries and employee benefits	11,744	11,544	11,444
Other grants and transfers	563	556	627
Transfer to General Revenue Fund	-	-	41
Recoveries	<u>(1,524)</u>	<u>(2,193)</u>	<u>(1,967)</u>
	<u>\$ 25,261</u>	<u>\$ 26,058</u>	<u>\$ 25,553</u>

9. *Related Party Transactions*

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





## Utilities

2003 DETAILED FINANCIAL STATEMENTS







## THE CITY OF WINNIPEG TRANSIT SYSTEM

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

Total expenses increased by \$1.7 million or 1.7% over the prior year. Salaries and benefits increased by \$1.8 million due to contractually bound adjustments. In addition, fuel costs increased by \$0.7 million and insurance costs increased by \$0.5 million due to market forces. These increases were partially offset by reduced debt charges of \$0.9 million due to maturing debt not being replaced.

During the current year, Transit spent \$6.5 million on bus parts, which was \$0.3 million in excess of budget. Also, \$5.5 million was transferred to the Transit Bus Replacement Reserve.

The City's transfer from the General Reserve fund increased by \$2.8 million or 9.6% from the prior year. The transfer exceeded budget by \$1.2 million. Passenger revenue increased by \$2.0 million or 4.1%, largely due to a five cent fare increase effective January 1, 2003. Ridership increased 0.2% over 2002. The Province of Manitoba maintained its grant to transit operations of \$16.4 million and increased its grant to Handi-transit from \$0.5 million to \$1.0 million with a one time additional grant of \$0.5 million.

During the year, Transit received fifty low floor buses totalling \$19.9 million. These buses were financed with \$10.3 million in contributions from the Province of Manitoba, \$9.2 million transferred from the Transit Bus Replacement Reserve and the remainder financed by internal borrowing.

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

- Rapid Transit - City Council made a significant contribution to Rapid Transit in the 2003 Capital Program allowing design work to proceed.
- Ecopass Program - Winnipeg Transit's Ecopass program continued to grow in popularity among major Winnipeg employers.
- Automated Passenger Counters - Automated passenger counters were installed on 73 buses during the year to establish a transit service analysis system to analyse passenger loads, service productivity, schedule adherence and bus running times.
- ATU Collective Agreement - A new collective agreement with the Amalgamated Transit Union was signed covering the three year period from January 12, 2003 to January 11, 2006.
- Navigo - The Navigo trip planner was fully implemented in March 2003 with weekday requests averaging between 2,500 and 3,000 during the winter months.



# THE CITY OF WINNIPEG TRANSIT SYSTEM

## FIVE-YEAR REVIEW

As at December 31

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

	2003	2002	2001	2000	1999
<b>Financial Position</b>					
Current assets	\$ 8,602	\$ 8,489	\$ 5,053	\$ 4,707	\$ 7,593
Capital assets	\$ 24,974	\$ 27,527	\$ 29,170	\$ 32,074	\$ 33,573
Total assets	\$ 33,576	\$ 36,016	\$ 34,223	\$ 36,781	\$ 41,166
Current liabilities	\$ 14,037	\$ 16,483	\$ 10,109	\$ 9,830	\$ 7,682
Long-term debt	\$ 19,539	\$ 19,533	\$ 24,092	\$ 26,733	\$ 30,903
<b>Operations</b>					
Passenger revenue	\$ 49,491	\$ 47,620	\$ 48,000	\$ 46,788	\$ 45,427
- in relation to total revenue	48.07%	48.68%	48.97%	49.73%	50.04%
Appropriation from General Revenue Fund	\$ 31,882	\$ 29,081	\$ 29,065	\$ 27,100	\$ 24,938
- in relation to total revenue	30.97%	29.73%	29.65%	28.80%	27.47%
Provincial operating grants	\$ 17,459	\$ 16,854	\$ 16,854	\$ 16,339	\$ 16,339
Operations expenses	\$ 42,769	\$ 41,695	\$ 40,611	\$ 39,792	\$ 39,008
Plant and equipment expenses	\$ 28,004	\$ 27,504	\$ 27,258	\$ 25,103	\$ 22,324
Total expenses	\$ 97,419	\$ 95,761	\$ 93,863	\$ 92,194	\$ 86,943
<b>Cash Flows</b>					
Operating activities	\$ 4,313	\$ 1,149	\$ 5,276	\$ 6,561	\$ 5,264
Long-term debt issued, net	\$ (3,873)	\$ (4,693)	\$ (260)	\$ (3,016)	\$ 1,036
Payments to The Sinking Fund Trustees, net	\$ (1,316)	\$ (1,515)	\$ (1,515)	\$ (1,605)	\$ (1,605)
Capital expenses	\$ (20,952)	\$ (13,204)	\$ (8,071)	\$ (591)	\$ (20,582)
<b>Financial Statistics and Selected Ratios</b>					
Regular cash fare, end of year	\$ 1.75	\$ 1.70	\$ 1.65	\$ 1.60	\$ 1.55
Handi-transit - Annual ridership (in thousands)	513.4	497.0	449.4	432.3	450.2
Regular transit - Annual passenger boardings (in millions)	53.5	52.2	54.5	54.7	54.1
Bus hours operated (in thousands)	1,335	1,324	1,326	1,315	1,307
Direct operating cost per passenger	\$ 2.23	\$ 2.17	\$ 2.07	\$ 2.02	\$ 1.91
Direct operating cost per vehicle hour	\$ 63.24	\$ 61.70	\$ 60.20	\$ 59.81	\$ 56.30
Revenue to cost ratio	0.60	0.59	0.61	0.60	0.63
Municipal operating cost per capita	\$ 44.04	\$ 39.78	\$ 39.62	\$ 37.28	\$ 34.75

**THE CITY OF WINNIPEG  
TRANSIT SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash	\$ 212	\$ 461
Accounts receivable (Note 3)	5,032	4,614
Inventory (Note 4)	3,333	3,375
Prepaid expenses	25	39
	<u>8,602</u>	<u>8,489</u>
Capital assets (Note 5)	<u>24,974</u>	<u>27,527</u>
	<u>\$ 33,576</u>	<u>\$ 36,016</u>
<b>LIABILITIES</b>		
Current		
Due to General Revenue Fund (Note 6)	\$ 9,621	\$ 9,741
Accounts payable and accrued liabilities	2,500	4,955
Current portion of long-term debt (Note 7)	1,916	1,787
	<u>14,037</u>	<u>16,483</u>
Long-term debt (Note 7)	<u>19,539</u>	<u>19,533</u>
	<u>\$ 33,576</u>	<u>\$ 36,016</u>
Commitments (Note 8)		

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG TRANSIT SYSTEM

## STATEMENT OF OPERATIONS AND RETAINED EARNINGS

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>REVENUES</b>			
System generated (Note 9)	\$ 52,472	\$ 52,227	\$ 50,157
Appropriation from General Revenue Fund	30,707	31,882	29,081
Provincial Government grants (Note 10)	18,010	18,474	17,959
Interest and other	839	365	619
<b>Total Revenues</b>	<b>102,028</b>	<b>102,948</b>	<b>97,816</b>
<b>EXPENSES</b>			
Operations (Note 11)	41,081	42,769	41,695
Plant and equipment (Note 12)	27,985	28,004	27,504
Corporate (Note 13)	13,194	12,416	12,791
Handi-transit	7,218	7,332	7,078
Finance and administration	2,983	2,828	2,838
Marketing and customer services	2,036	2,134	2,078
Planning and schedules	1,082	975	856
Information systems	989	961	921
<b>Total Expenses (Note 14)</b>	<b>96,568</b>	<b>97,419</b>	<b>95,761</b>
Surplus from operations and before transfer	5,460	5,529	2,055
Transfer to Transit Bus Replacement Reserve Fund (Note 15)	5,460	5,529	2,077
Deficit after transfer	-	-	(22)
Retained earnings, beginning of year	-	-	22
Retained earnings, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See accompanying notes to the financial statements*



**THE CITY OF WINNIPEG  
TRANSIT SYSTEM**

**STATEMENT OF CASH FLOWS**

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

	<u>2003</u>	<u>2002</u>
<b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b>		
<b><i>OPERATING</i></b>		
Surplus from operations and before transfer	\$ 5,529	\$ 2,055
Non-cash items related to operations		
Amortization of capital assets	2,301	2,627
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(700)	(841)
	<u>7,130</u>	<u>3,841</u>
Working capital from operations	(2,817)	(2,692)
Net change in other working capital	<u>4,313</u>	<u>1,149</u>
<b><i>FINANCING</i></b>		
Long term debt issued	4,411	-
Long-term debt retired	(8,000)	(4,420)
Payments on other long-term debt	(284)	(273)
Proceeds from The Sinking Fund Trustees applied to long-term debt retired	6,024	2,502
Payments to The Sinking Fund Trustees for outstanding long-term debt	(1,316)	(1,515)
Transfer to Transit Bus Replacement Reserve Fund	(5,529)	(2,077)
Due to General Revenue Fund	(120)	5,614
	<u>(4,814)</u>	<u>(169)</u>
<b><i>INVESTING</i></b>		
Purchase of capital assets	(20,952)	(13,204)
Contributions from the Province of Manitoba for purchase of capital assets	10,267	7,355
Contributions from Transit Bus Replacement Reserve for purchase of capital assets	9,237	4,865
Transfer from General Purpose Reserve for purchase of capital assets	1,700	-
	<u>252</u>	<u>(984)</u>
Decrease in cash	(249)	(4)
Cash, beginning of year	461	465
Cash, end of year	<u>\$ 212</u>	<u>\$ 461</u>

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG TRANSIT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

(in thousands of dollars, except as noted)

### 1. *Summary of Significant Accounting Policies*

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

#### **Basis of accounting**

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

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

#### **a) Inventory**

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

#### **b) Capital assets**

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

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

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

Capital assets are stated at cost. Cost includes interest and overhead expenses incurred during the period the asset is acquired or constructed. Contributions in aid of acquisition and construction are recorded as a reduction in the cost of the capital asset.

#### **c) Revenue**

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

## 2. *Status of the Transit System*

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

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

## 3. *Accounts Receivable*

	<u>2003</u>	<u>2002</u>
Province of Manitoba	\$ 4,302	\$ 3,503
Advertising rights, charter and other	730	932
Government of Canada	-	179
	<u>\$ 5,032</u>	<u>\$ 4,614</u>

## 4. *Inventory*

	<u>2003</u>	<u>2002</u>
Stores	\$ 3,250	\$ 3,321
Tickets, passes and other	83	54
	<u>\$ 3,333</u>	<u>\$ 3,375</u>

## 5. *Capital Assets*

	<u>2003</u>	<u>2002</u>
Buses	\$ 137,349	\$ 123,806
Buildings	14,592	14,592
Other equipment	9,119	8,924
Land and bus ways	5,179	5,179
Work in progress	4,110	3,207
	<u>170,349</u>	<u>155,708</u>
Accumulated amortization	(32,700)	(36,710)
Contributions in aid of construction and acquisition	<u>(112,675)</u>	<u>(91,471)</u>
	<u>\$ 24,974</u>	<u>\$ 27,527</u>

## 6. *Due to General Revenue Fund*

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



7. *Long-term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2003	2002
1988-2003	Feb. 23	10.250	VF	4783/88	\$ -	\$ 4,000
1993-2003	May 19	8.500	VP	6163/93	-	4,000
1990-2005	Oct. 1	11.700	VI	5507/90	6,894	6,894
1989-2009	Dec. 14	10.000	VH	5286/89	3,000	3,000
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	6,500	6,500
1995-2015	May 12	9.125	VR	6620/95	7,000	7,000
					<b>28,394</b>	<b>36,394</b>
Funds on deposit with The Sinking Fund Trustees (Note 7c)					<b>(13,854)</b>	<b>(17,862)</b>
Net sinking fund debentures outstanding					<b>14,540</b>	<b>18,532</b>
<b>Other long-term debt outstanding</b>						
Serial debentures issued by the City with varying maturities up to 2013 and a weighted average interest rate of 5.05% (2002 - 6.37%)					<b>5,212</b>	<b>1,612</b>
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 6.82% (2002 - 7.16%)					<b>1,703</b>	<b>1,176</b>
					<b>21,455</b>	<b>21,320</b>
Current portion of long-term debt					<b>(1,916)</b>	<b>(1,787)</b>
					<b>\$ 19,539</b>	<b>\$ 19,533</b>

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

	2004	2005	2006	2007	2008	Thereafter
Sinking fund debentures	\$ -	\$ 6,894	\$ -	\$ -	\$ -	\$ 21,500
Serial debentures	491	513	537	1,172	365	2,134
Equity in Capital Assets Fund debt	152	162	124	133	142	990
	<b>\$ 643</b>	<b>\$ 7,569</b>	<b>\$ 661</b>	<b>\$ 1,305</b>	<b>\$ 507</b>	<b>\$ 24,624</b>

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

- a) Sinking fund debenture issues provide for a full sinking fund provision at maturity except for the following debenture which, as a result of the levies being provided and the terms of the issue, has matured with a sinking fund deficiency and requires refinancing.

<u>Year of Maturity</u>	<u>Debenture By-law</u>	<u>Issued Amount</u>	<u>Maturity Shortfall</u>
2003	6163/93	\$ 4,000	\$ 1,976

- b) 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.
- c) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date, levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

**8. Commitments**

The Transit System has contracted with a manufacturer for the supply and delivery of 82 replacement low floor transit diesel buses. Having received and paid for 72 buses already, the remainder of the contract will be settled for approximately \$3.9 million.

**9. System Generated**

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
Passenger	\$ 49,961	\$ 49,491	\$ 47,620
Advertising rights	1,540	1,459	1,432
Charter and other	971	1,277	1,105
	<u>\$ 52,472</u>	<u>\$ 52,227</u>	<u>\$ 50,157</u>

**10. Provincial Government Grants**

The Provincial Government provided grants of \$17.4 million (2002 - \$16.9 million) toward the operation of the Transit System and \$1.1 million (2002 - \$1.1 million) as a Local Government Support Grant.

**11. Operations**

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
Bus operators	\$ 37,709	\$ 39,327	\$ 38,201
Inspectors	1,496	1,530	1,518
Operations administration	1,362	1,327	1,343
Instruction	514	585	633
	<u>\$ 41,081</u>	<u>\$ 42,769</u>	<u>\$ 41,695</u>

## 12. Plant and Equipment

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
Vehicle maintenance and overhaul	\$ 13,123	\$ 13,103	\$ 13,572
Bus servicing	9,311	9,848	8,936
Building services	2,696	2,337	2,307
Maintenance administration	2,117	2,099	2,074
Loop and bus stop	738	617	615
	<u>\$ 27,985</u>	<u>\$ 28,004</u>	<u>\$ 27,504</u>

## 13. Corporate

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
Debt and finance charges	\$ 6,525	\$ 5,527	\$ 6,369
Taxes	2,368	2,319	2,271
Employee benefits	1,832	2,027	1,841
Insurance and claims	1,150	1,340	1,074
General government charges and other	1,319	1,203	1,236
	<u>\$ 13,194</u>	<u>\$ 12,416</u>	<u>\$ 12,791</u>

### a) Employee benefits

Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2003 is estimated at \$4.3 million (2002 - \$4.2 million).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2003 at \$7.5 million (2002 - \$7.1 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 \$49 thousand (2002 - \$33 thousand).

### b) General government charges and other

Included in general government charges and other is \$0.8 million (2002 - \$0.8 million) in general government charges which represents the estimated share of The City of Winnipeg's general expenses applicable to the Transit System.



#### 14. Expenses by Object

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
Salaries	\$ 52,473	\$ 53,275	\$ 51,849
Materials and supplies	11,938	12,431	12,774
Services	11,577	11,429	11,148
Employee benefits	8,516	9,148	8,737
Taxes - fuel, municipal and payroll	4,108	4,089	4,020
Interest on long-term debt	3,629	3,195	3,740
Amortization of capital assets	2,879	2,301	2,627
Insurance and transfer to Insurance Reserve Fund	1,446	1,681	1,169
Other	527	386	506
Recoveries	(525)	(516)	(809)
	<u>\$ 96,568</u>	<u>\$ 97,419</u>	<u>\$ 95,761</u>

#### 15. Transfer to Transit Bus Replacement Reserve Fund

City Council on December 15, 1994 approved the creation of the Transit Bus Replacement Reserve for the purpose of providing financing for the replacement or major refurbishing of transit buses in a scheduled and pragmatic manner. Contributions to this Reserve will be based on a budgeted appropriation from the Transit System plus the proceeds from the disposal of bus equipment and recoveries from bus equipment written off in insurance claims. Upon the Transit System making the outlay to replace or refurbish buses, this Reserve will make a contribution to the Transit System for that purchase. During the current year, \$5.5 million (2002 - \$2.1 million) was transferred to the Reserve, and \$9.2 million (2002 - \$4.9 million) was transferred from the Reserve to finance buses acquired.

#### 16. Related Party Transactions

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

#### 17. Comparative Figures

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



## **THE CITY OF WINNIPEG WATERWORKS SYSTEM**

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

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

The Aqueduct Rehabilitation Reserve was established in 1996 to fund the entire cost of the required rehabilitation works estimated at \$57 million. The project is ongoing and will be completed mid 2005.

The Water Treatment Reserve was established on December 17, 1993 to fund 50% of the cost of building a water treatment plant estimated at \$214 million. The water treatment plant conceptual design study was completed in 1999 and in October 1999, the Executive Policy Committee held public consultations regarding the need for a proposed water treatment plant. Council approved the recommended water treatment program on November 22, 2000. As part of the emerging technologies studied, ultraviolet light disinfection was proven to be an effective water treatment technology to protect against waterborne pathogens. On July 17, 2002, Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant. On June 25, 2003, Council adopted the recommendation that the water treatment plant will be constructed using the construction management model and that the City will operate the facility. The target in-service dates for ultraviolet light disinfection and full water treatment are mid 2004 and late 2007 respectively.



# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## FIVE-YEAR REVIEW

*As at December 31*

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Block 1 rate in dollars (per 100 cu. ft.) excludes a fixed quarterly charge	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.70	\$ 2.54
Annual water pumped (million litres)	<b>84,577</b>	81,916	79,783	82,415	88,469
Water pumped in litres per capita per day	<b>366</b>	359	346	355	377
Average daily water pumped (million litres per day)	<b>232</b>	224	219	225	242
Maximum day water pumping rates (million litres per day)	<b>336</b>	308	276	295	362
Maximum hour water pumping rates (million litres per day)	<b>517</b>	450	432	427	478
Kilometres of aqueduct	<b>174.5</b>	174.5	174.5	174.5	174.5
Kilometres of feeder mains	<b>156.8</b>	156.8	116.8	116.8	116.8
Kilometres of water mains	<b>2,420.6</b>	2,417.8	2,426.8	2,411.4	2,410.3
Number of hydrants	<b>20,348</b>	20,228	19,464	19,174	19,055
Number of billed services	<b>184,854</b>	183,656	182,804	181,754	181,162

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash	\$ 350	\$ 17
Accounts receivable (Note 3)	14,712	14,558
Due from General Revenue Fund (Note 4)	11,326	8,626
Inventories	856	942
	<u>27,244</u>	<u>24,143</u>
Capital assets (Note 5)	<u>46,907</u>	<u>51,910</u>
	<u>\$ 74,151</u>	<u>\$ 76,053</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 2,058	\$ 3,162
Current portion of long-term debt (Note 7)	3,743	4,155
	<u>5,801</u>	<u>7,317</u>
Long-term debt (Note 7)	<u>33,212</u>	<u>40,790</u>
	<u>39,013</u>	<u>48,107</u>
<b>RETAINED EARNINGS</b>	<u>35,138</u>	<u>27,946</u>
	<u>\$ 74,151</u>	<u>\$ 76,053</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## STATEMENT OF OPERATIONS AND RETAINED EARNINGS

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

	2003 Budget	2003 Actual	2002 Actual
<b>REVENUES (Schedule 1)</b>			
Sale of goods and services (Note 8)	\$ 74,800	\$ 75,487	\$ 73,238
Interest	898	1,160	1,194
Government grants, permits and other	881	732	768
<b>Total Revenues</b>	<b>76,579</b>	<b>77,379</b>	<b>75,200</b>
<b>EXPENSES (Schedules 2 and 3)</b>			
Water distribution	23,120	23,406	20,171
Debt and finance	10,131	11,151	12,682
Taxes, employee benefits and other (Note 9)	5,419	5,627	4,830
Engineering services	2,640	2,319	2,213
Finance and administration	2,046	2,040	2,131
Information systems and technology	612	535	506
Customer services	536	483	539
Laboratory services	488	465	451
Human resources	268	221	181
<b>Total Expenses from Operations</b>	<b>45,260</b>	<b>46,247</b>	<b>43,704</b>
Surplus for the year from operations	31,319	31,132	31,496
Transfers to other funds (Note 10)	23,739	23,940	26,366
Net surplus for the year	7,580	7,192	5,130
<b>Unappropriated retained earnings</b>			
Beginning of year	24,620	24,620	18,907
Transfer from appropriated retained earnings	-	1,062	1,463
Appropriation for Waterworks System Fund Capital	-	(5,095)	(880)
End of year	32,200	27,779	24,620
<b>Appropriated retained earnings</b>			
Beginning of year	3,326	3,326	3,909
Appropriation for Waterworks System Fund Capital	-	5,095	880
Transfer to unappropriated retained earnings	-	(1,062)	(1,463)
End of year	3,326	7,359	3,326
<b>Total retained earnings</b>	<b>\$ 35,526</b>	<b>\$ 35,138</b>	<b>\$ 27,946</b>

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)*

	<u>2003</u>	<u>2002</u>
<b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b>		
<b><i>OPERATING</i></b>		
Net surplus for the year	\$ 7,192	\$ 5,130
Non-cash items related to operations		
Amortization	5,003	5,258
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(848)	(928)
Contributions in aid of construction	1,080	1,671
	<u>12,427</u>	<u>11,131</u>
Working capital from operations		
Change in net working capital other than cash	(1,172)	933
	<u>11,255</u>	<u>12,064</u>
<b><i>FINANCING</i></b>		
Debt retired	(11,299)	(5,086)
Due from General Revenue Fund	(2,700)	(4,970)
Proceeds from The Sinking Fund Trustees	6,013	1,651
Payments to The Sinking Fund Trustees for outstanding long-term debt	(1,856)	(1,987)
Contributions from Reserves	11,124	17,471
	<u>1,282</u>	<u>7,079</u>
<b><i>INVESTING</i></b>		
Purchase of capital assets	(12,204)	(19,143)
	<u>333</u>	<u>-</u>
Increase in cash		
Cash, beginning of year	17	17
	<u>\$ 350</u>	<u>\$ 17</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003*

*(in thousands of dollars, except as noted)*

### **1. Summary of Significant Accounting Policies**

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

#### **Basis of accounting**

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

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

#### **a) Capital assets**

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

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

Cost includes interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the capital asset.

#### **b) Shoal Lake Agreement**

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

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

**c) Watermain Renewal Reserve**

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

**d) Aqueduct Rehabilitation Reserve**

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The 2003 water rates include a provision of 7.69 cents (2002 - 23.75 cents) per 100 cubic feet of water consumption billed for aqueduct rehabilitation. In 2003, \$2.6 million (2002 - \$5.8 million) was transferred to the Reserve. Prior to 1996, funds were appropriated in the Waterworks System Fund for the aqueduct rehabilitation project.

**e) Water Treatment Reserve**

On December 17, 1993, Council adopted a motion that a reserve for a water treatment program be established. The purpose of the reserve is to provide 50% funding for the construction of a water treatment plant. The 2003 water rates include a provision of 39.50 cents (2002 - 37.38 cents) per 100 cubic feet of water consumption billed for water treatment. In 2003, \$10.1 million (2002 - \$9.7 million) was transferred to the Water Treatment Reserve.

**2. Status of the Waterworks System**

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

**3. Accounts Receivable**

	<u>2003</u>	<u>2002</u>
Water billings and other	\$ 14,986	\$ 14,738
Government of Canada	-	64
Province of Manitoba	-	3
Allowance for doubtful accounts	<u>(274)</u>	<u>(247)</u>
	<u>\$ 14,712</u>	<u>\$ 14,558</u>

**4. Due from General Revenue Fund**

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



5. *Capital Assets*

	<u>2003</u>	<u>2002</u>
Plant and equipment	\$ 397,560	\$ 415,547
Work in progress	57,657	27,466
Undistributed capital assets	16,565	16,565
Land	613	613
	<u>472,395</u>	<u>460,191</u>
Work in progress funding	(55,324)	-
Accumulated amortization	(147,334)	(142,331)
Contributions in aid of construction	(222,830)	(265,950)
	<u>\$ 46,907</u>	<u>\$ 51,910</u>

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

The Aqueduct Rehabilitation Reserve \$3.5 million (2002 - \$8.2 million), Water Treatment Reserve \$0 million (2002 - \$0.3 million), Waterworks System Fund \$1.1 million (2002 - \$1.6 million) and the Watermain Renewal Reserve \$6.5 million (2002 - \$9.0 million).

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

6. *Accounts Payable and Accrued Liabilities*

	<u>2003</u>	<u>2002</u>
Accrued debenture interest	\$ 1,084	\$ 1,546
Other accrued liabilities	725	165
Deferred revenue and other	213	239
Trade accounts payable	36	1,212
	<u>\$ 2,058</u>	<u>\$ 3,162</u>

7. *Long-Term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2003</u>	<u>2002</u>
1988-2003	Feb. 23	10.250	VF	4783/88	\$ -	\$ 2,000
1993-2003	May 19	8.500	VP	6163/93	-	7,000
1991-2004	Nov. 1	10.000	VL	5779/91	919	919
1990-2005	Oct. 1	11.700	VI	5507/90	1,008	1,008
1989-2009	Dec. 14	10.000	VH	5286/89	1,500	1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
					<u>46,427</u>	<u>55,427</u>

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

Equity in Sinking Fund (Note 7b)	<u>(16,538)</u>	<u>(19,847)</u>
Net sinking fund debentures outstanding	<b>29,889</b>	35,580
<b>Other long-term debt outstanding</b>		
Serial and installment debt issued by the City with varying maturities up to 2006 and a weighted average interest rate of 6.67% (2002 - 6.57%)	<b>6,787</b>	8,802
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 7.80% (2002 - 7.93%)	<u>279</u>	<u>563</u>
	<u><b>36,955</b></u>	<u>44,945</u>
Current portion of long-term debt	<u>(3,580)</u>	<u>(3,872)</u>
Current portion of Equity in Capital Assets Fund debt	<u>(163)</u>	<u>(283)</u>
Current portion of long-term debt	<u>(3,743)</u>	<u>(4,155)</u>
	<u><b>\$ 33,212</b></u>	<u><b>\$ 40,790</b></u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Thereafter</u>
Sinking fund debentures \$	919	\$ 1,008	\$ -	\$ -	\$ -	\$ 44,500
Serial and installment	2,135	2,260	2,392	-	-	-
Equity in Capital Assets Fund	<u>163</u>	<u>68</u>	<u>35</u>	<u>6</u>	<u>7</u>	<u>-</u>
	<u><b>\$ 3,217</b></u>	<u><b>\$ 3,336</b></u>	<u><b>\$ 2,427</b></u>	<u><b>\$ 6</b></u>	<u><b>\$ 7</b></u>	<u><b>\$ 44,500</b></u>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date, levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) Cash paid for interest during the year was \$5.5 million (2002 - \$5.9 million).

8. **Revenue**

The 2003 Aqueduct and Water Treatment reserve contributions are 47.2 cents per hundred cubic feet (2002 - 61.1 cents). In 2003 there were no changes to the water rate.

## 9. *Taxes, Employee Benefits and Other*

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

Included in expenses is \$0.9 million (2002 - \$0.9 million) in general government and computer services charges which represents the estimated share of The City of Winnipeg's general expenditure and actual computer services charges applicable to the Waterworks System.

### **Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2003 is \$2.1 million (2002 - \$2.1 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2003 is estimated at \$41 thousand (2002 - \$26 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2003 at \$3.0 million (2002 - \$2.9 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year, \$1.2 million (2002 - \$1.2 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 and has disclosed an actuarial surplus.

## 10. *Transfers to Other Funds*

Beginning in 1988, Council adopted a motion instructing the Waterworks System to transfer an amount equal to 10% of water sales revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of water sales net of the amount for aqueduct rehabilitation and the water treatment program and other transfers to the General Revenue Fund. In addition, the Utility transferred \$5.6 million in 2003 (2002 - \$5.8 million) to the General Revenue Fund to support the fire hydrant maintenance and other programs.

	<u>2003</u>	<u>2002</u>
Transfer to General Revenue Fund	\$ 11,187	\$ 10,903
Transfer to Water Treatment Reserve	10,114	9,651
Transfer to Aqueduct Rehabilitation Reserve	2,639	5,812
	<u>\$ 23,940</u>	<u>\$ 26,366</u>



## ***11. Related Party Transactions***

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

## ***12. Comparative Figures***

As a result of a departmental reorganization certain prior year's figures have been reclassified to conform to the current year's financial statement presentation.

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 1**

**REVENUES**

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>Sale of goods and services</b>			
Water sales	\$ 71,501	\$ 72,150	\$ 69,892
Fire hydrant and other rentals	3,262	3,307	3,303
Sale of scrap material	37	30	43
	<u>74,800</u>	<u>75,487</u>	<u>73,238</u>
<b>Interest</b>			
Sinking Fund earnings	848	848	928
Interest	-	303	248
Interest capitalized	50	9	18
	<u>898</u>	<u>1,160</u>	<u>1,194</u>
<b>Government grants, permits and other</b>			
Provincial support grant	400	416	399
Other	337	198	193
Permits and fees	144	118	176
	<u>881</u>	<u>732</u>	<u>768</u>
<b>Total Revenues</b>	<u>\$ 76,579</u>	<u>\$ 77,379</u>	<u>\$ 75,200</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Water distribution</b>			
Watermain maintenance	\$ 4,319	\$ 7,273	\$ 4,744
Service pipe maintenance	4,175	3,207	3,045
Pumping stations	3,090	2,773	2,652
Mechanical/civil/electrical maintenance allocation	2,361	2,353	2,225
General administration	998	1,956	1,629
Emergency services	1,286	1,292	1,270
Hydrant maintenance	1,723	1,136	1,078
Railway maintenance and operations	1,128	914	1,094
Water meter maintenance	792	536	514
Valve maintenance	1,388	526	635
Water supply administration	577	467	464
Intake operation	375	358	300
Stores - 552 Plinguet	149	231	219
Meter shop	544	181	98
Backflow prevention	129	142	127
Staff house	86	61	77
	<u>23,120</u>	<u>23,406</u>	<u>20,171</u>
<b>Debt and finance</b>			
Long-term debt			
Interest	5,123	5,010	5,737
Amortization	5,003	5,003	5,258
Contributions in aid of construction	-	1,080	1,671
Finance charges	5	58	16
	<u>10,131</u>	<u>11,151</u>	<u>12,682</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	2,804	3,087	2,676
Employee benefits	840	837	636
General government charges	615	615	612
Provincial payroll tax	420	467	415
Insurance and damage claims	340	408	322
Rent	288	312	328
Other services	312	234	238
Voluntary retirement incentive program	-	2	4
Recoveries	(200)	(335)	(401)
	<u>5,419</u>	<u>5,627</u>	<u>4,830</u>



**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

Schedule 2

**EXPENSES**

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>Engineering services division</b>			
Drafting and graphics	472	458	396
Design and construction	523	437	461
Water planning	329	315	290
Customer technical services	372	293	267
Project management	332	249	263
Administration	244	243	257
Services development	141	132	114
Asset management	156	129	97
Resource centre	71	53	68
Land drainage/flood planning	-	10	-
	<b>2,640</b>	<b>2,319</b>	<b>2,213</b>
<b>Finance and administration division</b>			
Customer accounts	1,453	1,479	1,583
Administrative services	202	177	198
Process improvement	148	147	149
Accounting services	128	134	124
Financial planning	115	103	77
	<b>2,046</b>	<b>2,040</b>	<b>2,131</b>
<b>Information systems and technology division</b>			
Support services	380	283	350
Major systems	232	252	156
	<b>612</b>	<b>535</b>	<b>506</b>
<b>Customer services division</b>			
Customer relations	452	408	457
Communications	48	38	49
Administration	36	37	33
	<b>536</b>	<b>483</b>	<b>539</b>
<b>Laboratory services division</b>			
Analytical services	298	284	281
Research	122	120	112
Administration	68	61	58
	<b>488</b>	<b>465</b>	<b>451</b>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 2**

**EXPENSES**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Human resources division</b>			
Human resources	116	125	97
Timekeeping and payroll	102	75	84
Work place health and safety	<u>50</u>	<u>21</u>	<u>-</u>
	<u>268</u>	<u>221</u>	<u>181</u>
<b>Total Expenses from Operations</b>	<u>45,260</u>	<u>46,247</u>	<u>43,704</u>
<b>Transfers to other funds</b>			
Transfer to General Revenue Fund	10,943	11,187	10,903
Transfer to Water Treatment Reserve	10,173	10,114	9,651
Transfer to Aqueduct Rehabilitation Reserve	<u>2,623</u>	<u>2,639</u>	<u>5,812</u>
<b>Total transfer to other funds</b>	<u>23,739</u>	<u>23,940</u>	<u>26,366</u>
<b>Total Expenses</b>	<u>\$ 68,999</u>	<u>\$ 70,187</u>	<u>\$ 70,070</u>

**THE CITY OF WINNIPEG  
WATERWORKS SYSTEM**

**Schedule 3**

**EXPENSES BY OBJECT**

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
Transfers	\$ 23,739	\$ 23,940	\$ 26,366
Salaries	21,240	20,083	18,599
Goods and services	17,950	18,587	15,960
Interest on long-term debt	5,123	5,010	5,737
Amortization	5,003	5,003	5,258
Other expenses	3,904	4,391	3,820
Employee benefits	3,597	3,438	3,066
Contributions in aid of construction	-	1,080	1,671
Finance charges	268	232	215
Grants	55	40	50
Recoveries	(11,880)	(11,617)	(10,672)
<b>Total Expenses</b>	<b>\$ 68,999</b>	<b>\$ 70,187</b>	<b>\$ 70,070</b>



## **THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM**

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

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

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

Biosolids are anaerobically digested and the dewatered sludge is used in the "WINGRO" program which has evolved into a successful resource recycling initiative. Through the co-operation of the rural municipalities, individual farmers, the hauling contractor, the Province of Manitoba and The City of Winnipeg ("the City"), the application of the "WINGRO" product has been used to fertilize farmers' fields. A biosolids management study was initiated in September 2001 to assess the current operations and determine the most appropriate and cost effective method of managing this residual product of wastewater treatment. The current license for land application of biosolids is under review and renewal will occur in 2004, after completion of the study and broad based public consultation.

On November 30, 1993, the Minister of Environment adopted The Clean Environment Commission's report on water quality objectives for the Red and Assiniboine Rivers. The report contained key recommendations to undertake site-specific research on ammonia control for protection of aquatic life, protection of the Red River for primary recreation, classification of all streams for secondary recreation during the dry weather flows and site-specific investigation of the operation and impact of the City's combined sewer system. The Environmental Projects Reserve was established in 1993 to fund environmental studies and projects. The reserve is funding the construction of disinfection facilities at the treatment plants and combined sewer overflow and ammonia studies. A disinfection program for the North End Water Pollution Control Center, which is currently underway, is expected to cost \$15 million and will be completed in 2006. Disinfection facilities have been built at the South End Water Pollution Control Center. Combined sewer overflow and ammonia studies were completed in 2002.

In 2003, at the request of the Minister of Conservation, the Clean Environment Commission ("CEC") conducted public hearings to review the City of Winnipeg's wastewater collection and treatment systems. The mandate given to the CEC was to review the City's wastewater collection and treatment systems and related public concerns and to provide a report to the Minister with advice and recommendations.

The CEC released its recommendations in August 2003. The CEC agreed with the City's proposed wastewater treatment improvement plan but recommended that the City implement the program in 20 to 25 years. The City had proposed a 50 year time line.

## **THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM (continued)**

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

This accelerated program would have a significant impact on the Sewage Disposal System's capital program, financial plan and rate plan. Discussions with the Province of Manitoba regarding compliance with the water quality objectives as recommended in the 2003 CEC report and the biosolids program are ongoing.

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## FIVE-YEAR REVIEW

*As at December 31*

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Rate in dollars (per 100 cu. ft.)	\$ 2.73	\$ 2.73	\$ 2.73	\$ 2.78	\$ 2.80
Annual sewage received (million litres)	96,199	103,659	117,165	116,368	114,479
Daily sewage received (million litres)	263.6	284.0	321.0	318.8	313.6
Kilometres of interceptor sewers	109.8	108.9	107.7	110.0	107.6
Kilometres of combined sewers	1,327.8	1,320.0	1,320.0	1,320.0	1,319.9
Kilometres of wastewater sewers	1,408.5	1,389.1	1,296.0	1,266.0	1,265.5
Kilometres of storm sewers	2,217.8	2,173.9	2,165.0	2,106.0	2,061.3
Number of lift stations	85	85	84	83	83
Number of billed sewer services	184,637	183,406	182,334	181,404	180,842



**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash	\$ 1	\$ 1
Due from General Revenue Fund (Note 3)	19,086	11,253
Accounts receivable (Note 4)	<u>14,968</u>	<u>14,400</u>
	34,055	25,654
Capital assets (Note 5)	<u>88,757</u>	<u>96,174</u>
	<u>\$ 122,812</u>	<u>\$ 121,828</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 5,431	\$ 6,991
Performance and other deposits	123	67
Current portion of long-term debt (Note 7)	<u>4,703</u>	<u>4,900</u>
	10,257	11,958
Long-term debt (Note 7)	<u>64,656</u>	<u>65,842</u>
	74,913	77,800
<b>RETAINED EARNINGS</b>	<u>47,899</u>	<u>44,028</u>
	<u>\$ 122,812</u>	<u>\$ 121,828</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## STATEMENT OF OPERATIONS AND RETAINED EARNINGS

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

	2003 Budget	2003 Actual	2002 Actual
<b>REVENUES (Schedule 1)</b>			
Sewer services (Note 8)	\$ 71,914	\$ 71,805	\$ 69,961
Interest	3,095	3,239	3,331
Government grants, permits and other	2,330	2,478	2,382
Total revenues	<u>77,339</u>	<u>77,522</u>	<u>75,674</u>
<b>EXPENSES (Schedules 2 and 3)</b>			
Debt and finance	19,818	23,194	24,999
Collection, interception and treatment	20,504	19,997	19,988
Taxes, employee benefits and other (Note 9)	5,168	4,855	5,292
Engineering services	3,096	2,378	2,456
Finance and administration	2,139	2,134	2,001
Laboratory services	1,293	1,361	1,253
Information systems and technology	677	626	512
Customer services	625	596	585
Human resources	306	251	185
Total expenses from operations	<u>53,626</u>	<u>55,392</u>	<u>57,271</u>
Surplus for the year from operations	23,713	22,130	18,403
Transfers to other funds (Note 10)	18,179	18,259	17,919
Net surplus for the year	5,534	3,871	484
<b>Unappropriated retained earnings</b>			
Beginning of year	27,302	27,302	26,403
Transfer from appropriated retained earnings	-	4,514	3,412
Appropriation for Sewage Disposal System Fund Capital	-	(11,658)	(2,997)
End of year	<u>32,836</u>	<u>24,029</u>	<u>27,302</u>
<b>Appropriated retained earnings</b>			
Beginning of year	16,726	16,726	17,141
Appropriation for Sewage Disposal System Fund Capital	-	11,658	2,997
Transfer to unappropriated retained earnings	-	(4,514)	(3,412)
End of year	<u>16,726</u>	<u>23,870</u>	<u>16,726</u>
Total retained earnings	<u>\$ 49,562</u>	<u>\$ 47,899</u>	<u>\$ 44,028</u>

See accompanying notes and schedules to the financial statements

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**STATEMENT OF CASH FLOWS**

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

	<u>2003</u>	<u>2002</u>
<b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b>		
<b><i>OPERATING</i></b>		
Net surplus for the year	\$ 3,871	\$ 484
Non-cash items related to operations		
Amortization	7,418	8,896
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(2,545)	(2,978)
Contributions in aid of construction from retained earnings	4,514	3,412
	<u>13,258</u>	<u>9,814</u>
Working capital from operations		
Change in net working capital other than cash	(2,072)	885
	<u>11,186</u>	<u>10,699</u>
<b><i>FINANCING</i></b>		
Debt retired	(12,509)	(23,032)
Due from General Revenue Fund	(7,833)	8,486
Payments from The Sinking Fund Trustees for long-term debt retired	18,219	12,836
Payments to The Sinking Fund Trustees for outstanding long-term debt	(4,520)	(5,540)
Decrease in other long-term debt	(28)	(26)
Contributions from Reserves	1,734	1,008
	<u>(4,937)</u>	<u>(6,268)</u>
<b><i>INVESTING</i></b>		
Purchase of capital assets	(6,249)	(4,431)
Increase in cash	-	-
Cash, beginning of year	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>

*See accompanying notes and schedules to the financial statements*



# THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003*

*(in thousands of dollars, except as noted)*

### **1. Summary of Significant Accounting Policies**

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

#### **Basis of accounting**

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

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

#### **a) Capital assets**

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

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

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

Cost includes interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the capital asset.

#### **b) Wastewater Sewer Renewal Reserve**

On May 27, 1992, City Council authorized the establishment of a Wastewater Sewer Renewal Reserve for the renewal and rehabilitation of wastewater sewers that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserve is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by Council between the Wastewater Sewer Renewal Reserve and the Combined Sewer Renewal Reserve in accordance with the needs at that time. In 2003, 100% (2002 - 100%) of the frontage levy revenue was used to finance combined sewer renewal projects. The Wastewater Sewer Renewal Reserve had a sufficient balance to finance the ongoing wastewater sewer renewal capital program.

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

**c) Environmental Projects Reserve**

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

The 2003 sewer rate includes a provision of 27.6 cents (2002 - 27.6 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2003, \$7.0 million (2002 - \$6.8 million) was transferred to the Environmental Projects Reserve.

**2. Status of the Sewage Disposal System**

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

**3. Due from General Revenue Fund**

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

**4. Accounts Receivable**

	<u>2003</u>	<u>2002</u>
Sewer billings and other	\$ 15,123	\$ 14,427
Government of Canada	-	63
Allowance for doubtful accounts	<u>(155)</u>	<u>(90)</u>
	<u>\$ 14,968</u>	<u>\$ 14,400</u>

**5. Capital Assets**

	<u>2003</u>	<u>2002</u>
Buildings and plants	\$ 255,703	\$ 255,703
Other structures	45,460	44,541
Equipment	3,580	3,579
Undistributed capital assets	1,367	1,367
Land	564	564
Work in progress	<u>-</u>	<u>14,326</u>
	306,674	320,080
Contributions in aid of construction	(63,520)	(76,927)
Accumulated amortization	<u>(154,397)</u>	<u>(146,979)</u>
	<u>\$ 88,757</u>	<u>\$ 96,174</u>



5. *Capital Assets (continued)*

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

The Wastewater Sewer Renewal Reserve \$547 thousand (2002 - \$73 thousand), Environmental Projects Reserve \$1.2 million (2002 - \$0.9 million), and the Sewage Disposal System Fund \$4.5 million (2002 - \$3.4 million).

6. *Accounts Payable and Accrued Liabilities*

	<u>2003</u>	<u>2002</u>
Accrued debenture interest	\$ 3,539	\$ 4,268
Trade accounts payable	1,769	2,652
Other accrued liabilities	123	71
	<u>\$ 5,431</u>	<u>\$ 6,991</u>

7. *Long-term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2003</u>	<u>2002</u>
1988-2003	Feb. 23	10.250	VF	4783/88	\$ -	\$ 14,000
1993-2003	May 19	8.500	VP	6163/93	-	8,000
1991-2004	Nov. 1	10.000	VL	5779/91	1,837	1,837
1990-2005	Oct. 1	11.700	VI	5507/90	17,927	17,927
1989-2009	Dec. 14	10.000	VH	5286/89	11,000	11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>105,764</u>	127,764
Equity in Sinking Fund (Note 7b)					<u>(51,210)</u>	<u>(62,364)</u>
Net sinking fund debentures outstanding					54,554	65,400
<b>Other long-term debt outstanding</b>						
Serial and installment debt issued by the City with varying maturities up to 2010 and a weighted average interest rate of 6.67% (2002 - 6.57%)					10,964	1,454
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 6.92% (2002 - 7.62%)					93	112
Pointe West Properties debt, maturity in 2012, interest rate of 6.645%					<u>3,748</u>	<u>3,776</u>
					<u>69,359</u>	<u>70,742</u>
Current portion of long-term debt					(4,662)	(4,852)
Current portion of Equity in Capital Assets Fund debt					(5)	(20)
Current portion of Pointe West Properties debt					<u>(36)</u>	<u>(28)</u>
Current portion of long-term debt					<u>(4,703)</u>	<u>(4,900)</u>
					<u>\$ 64,656</u>	<u>\$ 65,842</u>



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

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

	2004	2005	2006	2007	2008	Thereafter
Sinking fund debentures	\$ 1,837	\$ 17,927	\$ -	\$ -	\$ -	\$ 86,000
Serial and installment	1,126	1,187	1,252	902	949	5,548
Equity in Capital Assets Fund	5	5	6	6	6	65
Pointe West debt	36	52	56	80	126	3,398
	<u>\$ 3,004</u>	<u>\$ 19,171</u>	<u>\$ 1,314</u>	<u>\$ 988</u>	<u>\$ 1,081</u>	<u>\$ 95,011</u>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date, levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. (PWP), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

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

- d) Cash paid for interest during the year was \$11.7 million (2002 - \$13.2 million).

**8. Revenue**

The 2003 sewer rate remained the same as 2002 level (2002 - 2.73 cents). The 2003 Environmental Projects Reserve contribution was 27.6 cents per hundred cubic feet (2002 - 27.6 cents).

**9. Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned.

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2003, this amounted to \$0.5 million (2002 - \$0.5 million).



**9. Taxes, Employee Benefits and Other (continued)**

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2003 is \$1.0 million (2002 - \$1.0 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2003 is estimated at \$49 thousand (2002 - \$32 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2003 at \$1.4 million (2002 - \$1.3 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, \$661 thousand (2002 - \$652 thousand) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 and has disclosed an actuarial surplus.

**10. Transfers to Other Funds**

Beginning in 1988, Council adopted a motion instructing the Sewage Disposal System to transfer an amount equal to 10% of sewer services revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of sewer services revenue net of the amount for environmental projects and other transfers to the General Revenue Fund. In addition, in 2003, the Utility contributed \$3.8 million (2002 - \$3.4 million) to the General Revenue Fund to support the land drainage program and expenditure and vacancy management initiatives.

	<u>2003</u>	<u>2002</u>
Transfer to General Revenue Fund	\$ 11,212	\$ 11,109
Transfer to Environmental Projects Reserve	<u>7,047</u>	<u>6,810</u>
	<u>\$ 18,259</u>	<u>\$ 17,919</u>

**11. Related Party Transactions**

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

**12. Comparative Figures**

As a result of a departmental reorganization in 2003 certain financial statement figures have been reclassified to conform to the current years financial statement presentation.

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 1**

**REVENUES**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Sewer services</b>	<b>\$ 71,914</b>	<b>\$ 71,805</b>	<b>\$ 69,961</b>
<b>Interest</b>			
Sinking Fund earnings	2,545	2,545	2,978
Interest	500	632	313
Capitalized	50	62	40
	<u>3,095</u>	<u>3,239</u>	<u>3,331</u>
<b>Government grants, permits and other</b>			
Industrial waste surcharges	2,000	1,688	1,841
Other	50	450	210
Provincial support grant	200	215	213
Permits and fees	80	125	118
	<u>2,330</u>	<u>2,478</u>	<u>2,382</u>
<b>Total Revenues</b>	<b><u>\$ 77,339</u></b>	<b><u>\$ 77,522</u></b>	<b><u>\$ 75,674</u></b>



**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

Schedule 2

**EXPENSES**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Debt and finance</b>			
Long-term debt			
Interest	\$ 11,590	\$ 11,175	\$ 12,688
Amortization	8,228	7,418	8,896
Contribution in aid of construction from retained earnings	-	4,514	3,412
Finance charges	-	87	3
	<u>19,818</u>	<u>23,194</u>	<u>24,999</u>
<b>Collection, interception and treatment</b>			
North end water pollution control centre	6,621	6,721	6,478
Administration	5,064	4,600	4,899
South end water pollution control centre	2,043	2,093	2,082
Interception system	1,550	1,445	1,435
West end water pollution control centre	1,325	1,407	1,331
Sludge disposal	1,542	1,393	1,501
Mechanical maintenance	1,073	1,064	1,042
Electrical maintenance/instrumentation	803	816	775
Civil maintenance	483	458	445
	<u>20,504</u>	<u>19,997</u>	<u>19,988</u>
<b>Taxes, employee benefits and other</b>			
Property taxes	2,800	2,823	2,821
Miscellaneous	1,000	954	1,154
General government charges	467	467	467
Employee benefits	435	350	558
Rent	288	312	328
Insurance and claims	266	266	202
Provincial payroll tax	212	187	214
Recoveries	(300)	(504)	(452)
	<u>5,168</u>	<u>4,855</u>	<u>5,292</u>
<b>Engineering services</b>			
Drafting and graphic	472	459	395
Design and construction	523	439	458
Sewer connections	700	320	318
Customer technical services	372	294	267
Project management	332	249	262
Administrative services	244	241	249
Engineering services development	140	132	114
Asset management	156	131	97
Wastewater planning	86	59	228
Resource centre	71	54	68
	<u>3,096</u>	<u>2,378</u>	<u>2,456</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 2**

**EXPENSES**

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>Finance and administration</b>			
Customer accounts	1,453	1,477	1,353
Administrative services	238	213	250
Process improvement	169	168	168
Accounting services	147	159	142
Financial planning	132	117	88
	<u>2,139</u>	<u>2,134</u>	<u>2,001</u>
<b>Laboratory services</b>			
Analysis	581	615	602
Industrial waste	300	356	286
Research	265	260	241
Administration	147	130	124
	<u>1,293</u>	<u>1,361</u>	<u>1,253</u>
<b>Information systems and technology</b>			
Support services	411	323	345
Major systems	266	303	167
	<u>677</u>	<u>626</u>	<u>512</u>
<b>Customer services</b>			
Customer relations	527	508	489
Communications	56	45	57
Administration	42	43	39
	<u>625</u>	<u>596</u>	<u>585</u>
<b>Human Resources</b>			
Human resources	190	143	91
Timekeeping and payroll	116	87	94
Work place health and safety	-	21	-
	<u>306</u>	<u>251</u>	<u>185</u>
<b>Total Expenses from Operations</b>	<u>53,626</u>	<u>55,392</u>	<u>57,271</u>
<b>Transfers to other funds</b>			
Transfer to General Revenue Fund	11,081	11,212	11,109
Transfer to Environmental Projects Reserve	7,098	7,047	6,810
	<u>18,179</u>	<u>18,259</u>	<u>17,919</u>
<b>Total Expenses</b>	<u>\$ 71,805</u>	<u>\$ 73,651</u>	<u>\$ 75,190</u>

**THE CITY OF WINNIPEG  
SEWAGE DISPOSAL SYSTEM**

**Schedule 3**

**EXPENSES BY OBJECT**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
Goods and services	\$ 26,416	\$ 23,905	\$ 24,264
Transfers	18,179	18,259	17,919
Interest on long-term debt	11,590	11,175	12,688
Salaries	10,367	9,565	9,501
Amortization	8,228	7,418	8,896
Contribution in aid of construction from retained earnings	-	4,514	3,412
Other expenses	3,451	3,887	3,889
Employee benefits	1,756	1,692	1,888
Finance charges	157	278	187
Recoveries	(8,339)	(7,042)	(7,454)
<b>Total Expenses</b>	<u>\$ 71,805</u>	<u>\$ 73,651</u>	<u>\$ 75,190</u>





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

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

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

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

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

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road landfill and two other privately operated landfills in the Capital Region. Commercial tonnage coming to the Brady Road landfill has increased from 2002. Competition is intense and the lack of variable spot rate pricing puts the City operation at a disadvantage and it is difficult to increase these tonnages. While it has been a challenge to compete in this market, the lowering of the tipping fee to \$22.50 per tonne in 2000 has resulted in positive gains. The Department continues to aggressively seek business from City of Winnipeg commercial customers and other municipalities. The amount of commercial tipping at Brady Road is estimated to be about 25% to 30% of market share.

The internal tipping fee and other municipalities' tipping fee remained at \$22.50 per tonne. In 2003, waste was accepted from the City of Kenora, Whiteshell Provincial Park, R.M. of MacDonald, R.M. of Springfield and the City of Selkirk.

In 2003 there were major changes to the residential recycling program. The expiry of the Canadian Waste Services contract created an opportunity to make changes to the program and increase the recovery of recyclables. The two major changes that were made are that recyclables no longer need to be sorted in the blue box and more plastics such as margarine tubs and shampoo bottles are now accepted. International Paper Inc. (IPI) received the new contract, which includes the collection of recyclables from single family locations and the processing and marketing of all recyclables. Under the contract, the City pays IPI a per-tonne rate for materials recycled and the City receives 100% of the revenue from the sales of materials. Collection of recyclables from multi-family locations is done by two different contracts - one with Canadian Waste Services Inc. and the other with BFI Canada Ltd.. In total, these programs recycled 35,723 tonnes in 2003, an increase of 8% over 2002 and an increase of 43% over 2000. The increased recycling efforts in the City of Winnipeg are due to the provision of more collection services at multi-family locations, an enhanced awareness of environmental issues that arose from the debate on garbage collection user-fees, the addition of mixed plastics, deleting the requirement for sorting, an expanded public education program and the availability and subsidy of blue boxes through a major retailer.

**THE CITY OF WINNIPEG**  
**SOLID WASTE DISPOSAL FUND (continued)**

The revenues from the recycling programs are made up of support payments from the Manitoba Product Stewardship Corporation (\$128 per tonne) and from the sale of the recyclables. In 2003, the City realized \$7.3 million in revenue (2002 - \$7.2 million). The increased recycling tonnages increased funding from the Manitoba Product Stewardship Corporation as well as the revenues from the sale of recyclables.



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

**FIVE-YEAR REVIEW**

*As at December 31*

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>Solid Waste (tonnes)</b>					
Single family residential	190,122	181,635	185,901	189,953	183,181
Multi-family and small commercial	38,442	36,999	39,921	41,811	41,299
Large commercial / industrial	101,930	92,939	100,888	87,818	39,503
Other	58,931	48,895	52,623	56,848	53,843
Charitable organization	-	749	604	749	1,001
<b>Total landfill tonnage</b>	<b><u>389,425</u></b>	<b><u>361,217</u></b>	<b><u>379,937</u></b>	<b><u>377,179</u></b>	<b><u>318,827</u></b>
Clean fill, concrete, automotive shredder residue and sawdust	<u>86,489</u>	<u>60,269</u>	<u>63,520</u>	<u>40,547</u>	<u>41,344</u>
Residential small loads					
Number of loads	<u>80,091</u>	<u>72,522</u>	<u>79,197</u>	<u>78,141</u>	<u>93,241</u>
Recyclables (tonnes)					
Blue box	28,529	25,937	25,327	22,164	22,161
Depots/apartments	7,194	7,044	3,186	1,779	1,354
Other	-	-	93	1,050	749
<b>Total</b>	<b><u>35,723</u></b>	<b><u>32,981</u></b>	<b><u>28,606</u></b>	<b><u>24,993</u></b>	<b><u>24,264</u></b>

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

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash	\$ 20	\$ 32
Due from General Revenue Fund (Note 3)	7,229	10,300
Accounts receivable (Note 4)	<u>2,691</u>	<u>1,092</u>
	9,940	11,424
Capital assets (Note 5)	<u>6,742</u>	<u>7,386</u>
	<u>\$ 16,682</u>	<u>\$ 18,810</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 1,960	\$ 477
Current portion of long-term debt (Note 7)	<u>355</u>	<u>521</u>
	2,315	998
Long-term debt (Note 7)	<u>1,741</u>	<u>3,389</u>
	4,056	4,387
<b>RETAINED EARNINGS</b>	<u>12,626</u>	<u>14,423</u>
	<u>\$ 16,682</u>	<u>\$ 18,810</u>

*See accompanying notes and schedules to the financial statements*

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

**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**

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

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b><i>REVENUES (Schedule 1)</i></b>			
Sales of services and regulatory fees	\$ 14,267	\$ 15,408	\$ 14,855
Interest	323	405	439
Government grants	100	101	125
Sale of surplus equipment and other	-	54	237
	<hr/>	<hr/>	<hr/>
Total Revenues	14,690	15,968	15,656
<b><i>EXPENSES (Schedules 2 and 3)</i></b>			
Solid waste disposal	12,961	14,335	10,778
Debt and finance	1,213	1,191	3,015
Taxes, employee benefits and other (Note 8)	269	265	182
	<hr/>	<hr/>	<hr/>
Total expenses from operations	14,443	15,791	13,975
Surplus for the year from operations	247	177	1,681
Transfers to other funds (Note 9)	1,972	1,974	1,064
	<hr/>	<hr/>	<hr/>
Net (deficit) surplus for the year	(1,725)	(1,797)	617
Retained earnings			
Beginning of year	14,423	14,423	13,806
	<hr/>	<hr/>	<hr/>
End of year	\$ 12,698	\$ 12,626	\$ 14,423
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*See accompanying notes and schedules to the financial statements*



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

**STATEMENT OF CASH FLOWS**

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

	<u>2003</u>	<u>2002</u>
<b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b>		
<b><i>OPERATING</i></b>		
Net (deficit) surplus for the year	\$ (1,797)	\$ 617
Non-cash items related to operations		
Amortization	644	697
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(123)	(188)
Contributions in aid of construction	<u>25</u>	<u>1,553</u>
Working capital from operations	(1,251)	2,679
Net change in working capital other than cash	<u>(116)</u>	<u>(160)</u>
	<u>(1,367)</u>	<u>2,519</u>
<b><i>FINANCING</i></b>		
Debt retired	(4,014)	(333)
Due from General Revenue Fund	3,071	(707)
Payments from The Sinking Fund Trustees for long-term debt retired	2,623	66
Payments to The Sinking Fund Trustees for outstanding long-term debt	<u>(300)</u>	<u>(305)</u>
	<u>1,380</u>	<u>(1,279)</u>
<b><i>INVESTING</i></b>		
Purchase of capital assets	<u>(25)</u>	<u>(1,223)</u>
(Decrease) increase in cash	(12)	17
Cash position, beginning of year	<u>32</u>	<u>15</u>
Cash position, end of year	<u>\$ 20</u>	<u>\$ 32</u>

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG SOLID WASTE DISPOSAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

(in thousands of dollars, except as noted)

### 1. *Summary of Significant Accounting Policies*

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

#### **Basis of accounting**

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

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

#### **a) Capital assets**

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

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

Cost includes interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the capital asset.

#### **b) Brady Landfill Site Rehabilitation Reserve**

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

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

## 2. *Status of the Solid Waste Disposal Fund*

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

## 3. *Due from General Revenue Fund*

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

## 4. *Accounts Receivable*

	<u>2003</u>	<u>2002</u>
Refuse disposal and recycling	\$ 2,696	\$ 1,059
Government of Canada	-	38
Allowance for doubtful accounts	<u>(5)</u>	<u>(5)</u>
	<u>\$ 2,691</u>	<u>\$ 1,092</u>

## 5. *Capital Assets*

	<u>2003</u>	<u>2002</u>
Other site costs	\$ 11,274	\$ 11,274
Undistributed capital assets	4,369	4,369
Land	4,050	4,050
Work in progress	<u>2,685</u>	<u>2,660</u>
	22,378	22,353
Contributions in aid of construction	(2,880)	(2,855)
Accumulated amortization	<u>(12,756)</u>	<u>(12,112)</u>
	<u>\$ 6,742</u>	<u>\$ 7,386</u>

## 6. *Accounts Payable and Accrued Liabilities*

	<u>2003</u>	<u>2002</u>
Trade accounts payable	\$ 1,900	\$ 238
Accrued debenture interest payable	40	228
Other accrued liabilities	<u>20</u>	<u>11</u>
	<u>\$ 1,960</u>	<u>\$ 477</u>



7. *Long-Term Debt*

**Sinking fund debentures outstanding**

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2003	2002
1988-2003	Feb. 23	10.250	VF	4783/88	\$ -	\$ 700
1993-2003	May 19	8.500	VP	6163/93	-	3,093
1991-2004	Nov. 1	10.000	VL	5779/91	23	23
1990-2005	Oct. 1	11.700	VI	5507/90	517	517
1989-2009	Dec. 14	10.000	VH	5286/89	1,935	1,935
1995-2015	May 12	9.125	VR	6620/95	1,000	1,000
					<u>3,475</u>	<u>7,268</u>
Equity in Sinking Fund (Note 7b)					<u>(1,899)</u>	<u>(4,099)</u>
Net sinking fund debentures outstanding					<u>1,576</u>	<u>3,169</u>
<b>Other long-term debt outstanding</b>						
Serial and installment debt issued by the City with varying maturities up to 2006 and a weighted average interest rate of 6.67% (2002 - 6.57%)					264	342
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 10.01% (2002 - 10.13%)					<u>256</u>	<u>399</u>
					<u>2,096</u>	<u>3,910</u>
Current portion of long-term debt					(197)	(378)
Current portion of Equity in Capital Assets Fund debt					<u>(158)</u>	<u>(143)</u>
Current portion of long-term debt					<u>(355)</u>	<u>(521)</u>
					<u>\$ 1,741</u>	<u>\$ 3,389</u>

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

	2004	2005	2006	2007	2008	Thereafter
Sinking fund debentures	\$ 23	\$ 517	\$ -	\$ -	\$ -	\$ 2,935
Serial and installment	83	88	93	-	-	-
Equity in Capital Assets Fund	158	88	10	-	-	-
	<u>\$ 264</u>	<u>\$ 693</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,935</u>

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

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

- b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date, levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.
- c) Cash paid for interest during the year was \$0.8 million (2002 - \$1.0 million).

**8. Taxes, Employee Benefits and Other**

Realty and business taxes represent full taxes paid to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned.

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2003 this amounted to \$79 thousand (2002 - \$79 thousand).

**Employee benefits**

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2003 is \$0.16 million (2002 - \$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, 2003 is estimated at \$8 thousand (2002 - \$7 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2003 at \$0.2 million (2002 - \$0.2 million).

Solid Waste employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, \$99 thousand (2002 - \$90 thousand) of pension costs were allocated to Solid Waste.

**9. Transfers to Other Funds**

	<u>2003</u>	<u>2002</u>
Transfer to General Revenue Fund	\$ 1,806	\$ 895
Transfer to Brady Landfill Site Rehabilitation Reserve	168	169
	<u>\$ 1,974</u>	<u>\$ 1,064</u>

**10. Related Party Transactions**

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

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

Schedule 1

**REVENUES**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Sales of services and regulatory fees</b>			
Landfill tipping fees	\$ 7,493	\$ 7,853	\$ 7,563
Recycling	6,458	7,236	7,000
Small load fees	316	319	292
	<u>14,267</u>	<u>15,408</u>	<u>14,855</u>
<b>Interest</b>			
Interest	200	277	225
Sinking Fund earnings	123	123	188
Late payment charges	-	5	4
Interest capitalized	-	-	22
	<u>323</u>	<u>405</u>	<u>439</u>
<b>Government grants</b>			
Provincial support	100	101	125
	<u>-</u>	<u>54</u>	<u>237</u>
<b>Sale of surplus equipment and other</b>			
	<u>-</u>	<u>54</u>	<u>237</u>
<b>Total Revenues</b>	<u>\$ 14,690</u>	<u>\$ 15,968</u>	<u>\$ 15,656</u>



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

Schedule 2

**EXPENSES**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Solid waste disposal</b>			
Recycling	\$ 8,408	\$ 9,724	\$ 6,108
South West Operations	3,262	3,183	3,088
Administration	239	411	612
Landfill and environmental	547	380	500
Waste minimization	280	279	208
Take Pride Winnipeg	175	197	180
West Central Operations	50	161	190
Engineering and administration recoveries	-	-	(108)
	<u>12,961</u>	<u>14,335</u>	<u>10,778</u>
<b>Debt and finance</b>			
Long-term debt			
Amortization	521	644	697
Interest	692	521	764
Contributions in aid of construction	-	25	1,553
Finance charges	-	1	1
	<u>1,213</u>	<u>1,191</u>	<u>3,015</u>
<b>Taxes, employee benefits and other</b>			
Provincial payroll tax	106	111	101
General government charges	79	79	79
Property taxes	45	50	35
Insurance and damage claims	30	30	25
Employee benefits	119	23	48
Departmental recovery	(110)	(28)	(106)
	<u>269</u>	<u>265</u>	<u>182</u>
<b>Total expenses from operations</b>	<u>14,443</u>	<u>15,791</u>	<u>13,975</u>
<b>Transfers to other funds</b>			
Transfer to General Revenue Fund	1,806	1,806	895
Transfer to Brady Landfill Site Rehabilitation Reserve	166	168	169
	<u>1,972</u>	<u>1,974</u>	<u>1,064</u>
<b>Total Expenses</b>	<u>\$ 16,415</u>	<u>\$ 17,765</u>	<u>\$ 15,039</u>

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

Schedule 3

**EXPENSES BY OBJECT**

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

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
Goods and services	\$ 11,297	\$ 12,151	\$ 9,607
Transfers	1,972	1,974	1,064
Salaries	1,676	1,578	1,448
Other expenses	406	764	405
Amortization	521	644	697
Interest on long-term debt	692	521	764
Employee benefits	386	240	235
Contributions in aid of construction	-	25	1,553
Finance charges	3	4	4
Recoveries	(538)	(136)	(738)
<b>Total Expenses</b>	<u>\$ 16,415</u>	<u>\$ 17,765</u>	<u>\$ 15,039</u>







Special Operating Agencies  
2003 DETAILED FINANCIAL STATEMENTS





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

**STATEMENT OF FINANCIAL POSITION**

*As at December 31*

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash	\$ 16,150	\$ 3,861
Due from City of Winnipeg General Revenue Fund (Note 3)	114,277	99,534
Accounts receivable (Note 4)	52,200	35,339
Inventory	12,974	8,268
Prepaid expenses	<u>55,342</u>	<u>3,977</u>
	<u>250,943</u>	<u>150,979</u>
Equipment		
Computer	74,500	74,500
Furniture and other	<u>70,000</u>	<u>70,000</u>
	144,500	144,500
Less: accumulated depreciation	<u>130,500</u>	<u>97,875</u>
	<u>14,000</u>	<u>46,625</u>
	<u><u>\$ 264,943</u></u>	<u><u>\$ 197,604</u></u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 15,269	\$ 16,498
Vacation and overtime payable (Note 5a)	53,204	48,232
Deferred revenue	528,628	200,676
Due to City of Winnipeg - Idea Bank Reserve (Note 6)	<u>100,000</u>	<u>225,000</u>
	697,101	490,406
Long-term		
Retirement allowance (Note 5b)	<u>130,000</u>	<u>126,000</u>
	827,101	616,406
<b>CAPITAL DEFICIENCY</b>		
Deficit	<u>(562,158)</u>	<u>(418,802)</u>
	<u><u>\$ 264,943</u></u>	<u><u>\$ 197,604</u></u>

*See accompanying notes to the financial statements*



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

**STATEMENT OF LOSS AND DEFICIT**

*For the years ended December 31*

	<b>unaudited 2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>REVENUES</b>	<b>\$ 758,314</b>	<b>\$ 665,998</b>	<b>\$ 489,277</b>
<b>EXPENSES</b>			
Salaries and benefits	1,169,788	1,100,051	1,081,767
Services (Note 7)	484,891	452,847	407,698
Rent (Note 7)	153,338	168,215	149,598
Material, parts and supplies	39,321	34,761	31,131
Other			
Administrative expenses (Note 7)	213,584	141,228	145,191
Depreciation	32,625	32,625	32,625
Interest	6,999	338	940
	<b>2,100,546</b>	<b>1,930,065</b>	<b>1,848,950</b>
Loss from operations	(1,342,232)	(1,264,067)	(1,359,673)
Other			
Grant from the Province of Manitoba	19,777	20,711	19,410
Grant from The City of Winnipeg (Note 8)	1,100,000	1,100,000	1,250,000
<b>NET LOSS FOR THE YEAR</b>	<b>(222,455)</b>	<b>(143,356)</b>	<b>(90,263)</b>
<b>DEFICIT, BEGINNING OF YEAR</b>	<b>(418,802)</b>	<b>(418,802)</b>	<b>(328,539)</b>
<b>DEFICIT, END OF THE YEAR</b>	<b>\$ (641,257)</b>	<b>\$ (562,158)</b>	<b>\$ (418,802)</b>

*See accompanying notes to the financial statements*

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

**STATEMENT OF CASH FLOWS**

*For the years ended December 31*

	<u>2003</u>	<u>2002</u>
<b><i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i></b>		
<b><i>OPERATING</i></b>		
Net loss for the year	\$ (143,356)	\$ (90,263)
Non-cash items related to operations		
Depreciation	32,625	32,625
Retirement allowance	<u>4,000</u>	<u>24,000</u>
Working capital from operations	(106,731)	(33,638)
Net change in working capital other than cash assets	<u>258,763</u>	<u>29,233</u>
	<u>152,032</u>	<u>(4,405)</u>
<b><i>FINANCING</i></b>		
(Decrease) increase in Due to City of Winnipeg - Idea Bank Reserve	(125,000)	75,000
Increase in Due from City of Winnipeg	<u>(14,743)</u>	<u>(68,491)</u>
	<u>(139,743)</u>	<u>6,509</u>
Increase in cash	12,289	2,104
<b><i>CASH POSITION, BEGINNING OF YEAR</i></b>	<u>3,861</u>	<u>1,757</u>
<b><i>CASH POSITION, END OF YEAR</i></b>	<u>\$ 16,150</u>	<u>\$ 3,861</u>
<i>See accompanying notes to the financial statements</i>		
<b><i>SUPPLEMENTARY INFORMATION</i></b>		
Interest paid	\$ 338	\$ 940

# THE CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

### 1. *Description of Business*

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

We have endeavoured to accomplish our goals through various programs and initiatives. This year's main initiative toward attaining financial success was to increase fines and penalties for licensing and pound by-law infractions. This effort brings the penalties in line with other major cities and also provides a real incentive for citizens to obey our pound by-laws.

### 2. *Accounting Policies*

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

#### **Revenue Recognition**

License revenues are recognized over the license validation period.

#### **Inventory**

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

#### **Equipment**

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

Computer equipment	25%
Furniture and other equipment	20%

#### **Financial Instruments**

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

### 3. *Due from City of Winnipeg - General Revenue Fund*

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



**4. Accounts Receivable**

	<u>2003</u>	<u>2002</u>
Trade accounts receivable	\$ 39,108	\$ 25,363
Allowance for doubtful accounts	(7,619)	(9,375)
	<u>31,489</u>	<u>15,988</u>
Provincial Grant	<u>20,711</u>	<u>19,351</u>
	<u>\$ 52,200</u>	<u>\$ 35,339</u>

**5. Employee Benefits**

**(a) Vacation and overtime payable**

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

**(b) Retirement allowance**

Under various union agreements, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation had estimated the sick leave credit liability as at December 31, 2003 at \$130,000 (2002 - \$126,000).

**(c) Pensions**

The Agency's employees are eligible for pension under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, \$56,079 (2002 - \$57,469) of pension costs were allocated to Animal Services.

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

The Agency has negotiated a loan of up to \$500,000 from The City of Winnipeg Idea Bank Reserve. The Idea Bank Reserve interest rate on outstanding loans is prime plus one percent. The effective interest rate for the year was 3.5% (2002 - 4.69%).

**7. Related Parties**

Included in Animal Services expenditures is a transfer to City of Winnipeg Civic Accommodations Fund for rent of \$168,215 (2002 - \$149,598) and a transfer to City of Winnipeg General Revenue Fund for administrative services of \$130,000 (2002 - \$130,392). Also included are lease costs of \$89,960 (2002 - \$78,376) to The City of Winnipeg Equipment and Material Services Fund.

**8. Grant from the City of Winnipeg**

This year, the general grant from The City of Winnipeg decreased by 12% or \$150,000 but our revenues increased by 36% or \$176,721 to help cover increasing costs. The schedule below outlines the grant monies received since 2000.

2000	\$ 1,250,000
2001	1,250,000
2002	1,250,000
2003	1,100,000
2004 budget (unaudited)	950,000



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

On March 20, 1997, Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies (SOA) as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

On September 24, 1997, Council adopted the strategic direction with regard to SOA's identified in the report entitled "Special Operating Agencies Initiative". Consistent with the foregoing process, the Primary Material Services Branch of the Public Works Department prepared a feasibility study and presented it to the Standing Committee on Fiscal Issues on January 12, 2001.

On February 28, 2001, Council adopted the recommendations contained in the report from the Standing Committee on Fiscal Issues, directing Primary Material Services Branch to prepare an operating charter and business plan for operations as a SOA.



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

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash	\$ 29	\$ -
Accounts receivable (Note 3)	292	246
Income taxes recoverable (Note 4)	86	61
Inventory	<u>551</u>	<u>395</u>
	958	702
Capital assets (Note 5)	<u>4,527</u>	<u>4,279</u>
	<u>\$ 5,485</u>	<u>\$ 4,981</u>
<b>LIABILITIES</b>		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 6)	\$ 671	\$ 204
Accounts payable and accrued liabilities	543	547
Rehabilitation payable (Note 7)	-	81
Vacation payable (Note 8a)	42	40
Current portion of long-term debt (Note 9)	<u>151</u>	<u>85</u>
	1,407	957
Retirement allowance (Note 8b)	84	100
Long-term debt (Note 9)	<u>4,129</u>	<u>3,996</u>
	5,620	5,053
<b>CAPITAL DEFICIENCY</b>		
Deficit	<u>(135)</u>	<u>(72)</u>
	<u>\$ 5,485</u>	<u>\$ 4,981</u>

*See accompanying notes to the financial statements*

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

**STATEMENT OF OPERATIONS AND DEFICIT**

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

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Sales of goods and services (Note 10)	<u>\$ 2,959</u>	<u>\$ 2,583</u>
<b>EXPENSES</b>		
Administrative services (Note 10)	72	121
Amortization and depletion	173	111
Interest on long-term debt (Note 9)	280	261
Material, parts and supplies	516	474
Salaries and benefits	634	598
Services	<u>1,400</u>	<u>1,208</u>
	<u>3,075</u>	<u>2,773</u>
Net loss before income taxes	(116)	(190)
Income tax recovery (Note 4)	<u>53</u>	<u>87</u>
Net loss for the year	(63)	(103)
<b>(DEFICIT)/RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>(72)</u>	<u>31</u>
<b>DEFICIT END OF YEAR</b>	<u><u>\$ (135)</u></u>	<u><u>\$ (72)</u></u>

*See accompanying notes to the financial statements*

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

**STATEMENT OF CASH FLOWS**

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

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

	<u>2003</u>	<u>2002</u>
<b><i>OPERATING</i></b>		
Net loss for the year	\$ (63)	\$ (103)
Non-cash items related to operations		
Amortization and depletion	173	109
Retirement allowance	<u>(16)</u>	<u>18</u>
Working capital from operations	94	24
Net change in working capital	<u>(310)</u>	<u>14</u>
	<u>(216)</u>	<u>38</u>
<b><i>FINANCING</i></b>		
Due to City of Winnipeg - General Revenue Fund	467	352
Repayment of long-term debt	(85)	(90)
Proceeds of issuance of long-term debt	<u>284</u>	<u>123</u>
	<u>666</u>	<u>385</u>
<b><i>INVESTING</i></b>		
Purchase of capital assets	<u>(421)</u>	<u>(423)</u>
<b><i>INCREASE IN CASH POSITION</i></b>	29	-
<b><i>CASH POSITION, BEGINNING OF YEAR</i></b>	<u>-</u>	<u>-</u>
<b><i>CASH POSITION, END OF YEAR</i></b>	<u><u>\$ 29</u></u>	<u><u>\$ -</u></u>

*See accompanying notes to the financial statements*



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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003  
(in thousands of dollars, except as noted)

### 1. Description of Business

Glacial Sand and Gravel - Special Operating Agency ("Agency") commenced operations on January 1, 2001. Since the inception, sales of gravel pit aggregate, limestone, and treated sand are realized from both The City of Winnipeg and private industry customers.

### 2. Summary of Significant Accounting Policies

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

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

#### Inventory

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

#### Capital assets

Capital assets transferred from the City of Winnipeg on January 1, 2001 were recorded at their estimated value. Subsequent acquisitions are recorded at cost. Capital assets are amortized over the estimated useful life using the following rates and methods:

Machinery	10 years	Straight-line
Buildings	4-5%	Declining balance
Office equipment	20%	Declining balance
Computer equipment	30%	Declining balance

The depletion of the gravel pit is recorded at a rate of 20 cents per tonne of aggregate inventory extracted on an annual basis.

#### Revenue Recognition

Revenue is recognized upon delivery of products.

#### Financial Instruments

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

### 3. *Accounts Receivable*

	<u>2003</u>	<u>2002</u>
Trade accounts receivable	\$ 326	\$ 269
Government of Canada	-	2
Allowance for doubtful accounts	<u>(34)</u>	<u>(25)</u>
	<u>\$ 292</u>	<u>\$ 246</u>

### 4. *Income Tax Equivalency*

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge/recovery of 46% which is payable to (recoverable from) The City of Winnipeg. Amounts paid are to be directed to infrastructure renewal in the City of Winnipeg.

### 5. *Capital Assets*

	<u>Cost</u>	<u>Accumulated Amortization/ Depletion</u>	<u>Net Book Value 2003</u>	<u>Net Book Value 2002</u>
Gravel pit	\$ 3,800	\$ 240	\$ 3,560	\$ 3,642
Machinery	980	145	835	511
Building under capital lease	51	3	48	50
Computer equipment	53	17	36	26
Land clearing	28	-	28	28
Building	19	2	17	18
Office equipment	4	1	3	4
	<u>\$ 4,935</u>	<u>\$ 408</u>	<u>\$ 4,527</u>	<u>\$ 4,279</u>

### 6. *Due to City of Winnipeg - General Revenue Fund*

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

The Agency has negotiated an operating line of credit of up to \$400 thousand from The City of Winnipeg - Idea Bank Reserve, at a rate of 6.5%.

### 7. *Rehabilitation Payable*

The Agency is required to pay rehabilitation fees for future restoration of the land and surrounding infrastructure when the gravel pit has been depleted. These fees are assessed as follows:

Province of Manitoba - rehabilitation fee of 10 cents per tonne sold  
 RM of Springfield - mining fee of 4.4 cents per tonne sold  
 RM of Springfield - road maintenance levy of 2.4 cents per tonne sold

**8. Employee Benefits**

**a) Vacation**

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

**b) Retirement allowance**

Under various union agreements, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the retirement allowance liability at December 31, 2003 at \$84 thousand (2002 - \$100 thousand).

**c) Pension**

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$31 thousand (2002 - \$32 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of January 1, 2003 and has an actuarial surplus.

**9. Long-Term Debt**

	2003	2002
City of Winnipeg - Equipment and Materials Services:		
Equipment replacement loan, interest at 6.5%, payment of \$2 thousand monthly, due September 2005	\$ -	\$ 65
Equipment financing program loan, interest at 6.5%, payment of \$5 hundred monthly, due December 2005	11	16
Equipment loan, interest at 6.5%, payment of \$5 thousand monthly, due December 2005	109	158
Gravel pit loan, interest at 6.5%, no repayment schedule	3,800	3,800
City of Winnipeg - Fleet Management - Special Operating Agency		
Equipment replacement loan, interest at 6.5%, payment of \$2 thousand monthly, due September 2005	42	-
Equipment loan, interest at 6.5%, payment of \$6.5 thousand monthly, due February 2008	284	-
Capital lease obligation, interest at 7.6%, monthly payments of \$0.9 thousand, due April 2008	34	42
	4,280	4,081
Current portion of long-term debt	(151)	(85)
	\$ 4,129	\$ 3,996



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

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

2004	\$	151
2005		155
2006		78
2007		83
2008		13
Thereafter		<u>3,800</u>
	\$	<u>4,280</u>

b) Interest on the equipment loans during the year was \$33 thousand (2002 - \$14 thousand) and has been paid to The City of Winnipeg - Equipment and Material Services and Fleet Management - Special Operating Agency; and

The interest payable on the gravel pit loan during the year of \$247 thousand (2002 - \$247 thousand) is to be directed to infrastructure renewal in the City of Winnipeg.

c) Cash paid for interest during the year was \$33 thousand (2002 - \$14 thousand).

**10. Related Party Transactions**

Included in the Agency's revenues/expenses are the following transactions, which occurred in the normal course of operations and are recorded at the exchange amount:

- a) Sales of goods and services of \$925 thousand (2002 - \$972 thousand) to The City of Winnipeg for treated sand; and
- b) General government charges in the amount of \$26 thousand (2002 - \$58 thousand) to The City of Winnipeg - General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

**11. Comparative Figures**

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

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

On March 20, 1997, Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies ("SOA") as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

On September 24, 1997, Council adopted the strategic direction with regard to SOAs identified in the report entitled "Special Operating Agencies Initiative". Pursuant to the foregoing process, the Community Services Department prepared a feasibility study which recommended the establishment of a SOA with the mandate to manage and be accountable for maximizing the return on City-owned golf course assets.

On February 23, 2000, Council directed that a Business Plan and Operating Charter for a Golf Services SOA be prepared and further that the municipal golf course operation be realigned under the purview of the Planning, Property and Development Department.

The SOA manages the golf courses operated by the City and administer the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

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

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash	\$ 3	\$ -
Accounts receivable	17	2
Inventory	80	74
Prepaid expenses	5	5
	<u>105</u>	<u>81</u>
Capital assets (Note 3)	<u>24,559</u>	<u>24,219</u>
	<u>\$ 24,664</u>	<u>\$ 24,300</u>
<b>LIABILITIES</b>		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 4)	\$ 158	\$ 230
Accounts payable and accrued liabilities	7	12
Vacation payable (Note 5a)	35	35
Current portion of long-term debt (Note 6)	6	-
	<u>206</u>	<u>277</u>
Retirement allowance (Note 5b)	121	121
Long-term debt - City of Winnipeg (Note 6)	<u>4,120</u>	<u>4,051</u>
	4,447	4,449
<b>SURPLUS</b>		
Contributed surplus (Note 8)	20,574	20,090
Deficit	<u>(357)</u>	<u>(239)</u>
	<u>20,217</u>	<u>19,851</u>
	<u>\$ 24,664</u>	<u>\$ 24,300</u>

*See accompanying notes to the financial statements*



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

**STATEMENT OF OPERATIONS**

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

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Green fees	\$ 2,474	\$ 2,142
Equipment rentals	251	194
Concessions	231	121
Merchandise sales	53	39
Other	50	26
	<u>3,059</u>	<u>2,522</u>
<b>EXPENSES</b>		
Salaries and employee benefits	1,329	1,132
Services (Note 9a)	579	570
Material, parts and supplies	305	193
Debt and finance charges	259	251
Municipal tax equivalency charge (Note 7)	251	240
Amortization	229	199
Rent (Note 9b)	17	15
Other	9	-
	<u>2,978</u>	<u>2,600</u>
Total Expenses		
Net income (loss) from operations	81	(78)
<b>DEFICIT, BEGINNING OF YEAR</b>	(239)	-
Transfer to The City of Winnipeg - General Revenue Fund	199	161
	<u>199</u>	<u>161</u>
<b>DEFICIT, END OF YEAR</b>	<u>\$ (357)</u>	<u>\$ (239)</u>

*See accompanying notes to the financial statements*

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

**STATEMENT OF CASH FLOWS**

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

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

	<u>2003</u>	<u>2002</u>
<b><i>OPERATING</i></b>		
Net income (loss) for the year	\$ 81	\$ (78)
Non-cash items related to operations		
Amortization	229	199
Working capital from operations	310	121
Net change in working capital	<u>(27)</u>	<u>(202)</u>
	<u>283</u>	<u>(81)</u>
<b><i>FINANCING</i></b>		
(Decrease)/increase in Due to City of Winnipeg - General Revenue Fund	(72)	230
Increase in long-term debt - City of Winnipeg	75	75
Transfer to City of Winnipeg - General Revenue Fund	<u>(199)</u>	<u>(161)</u>
	<u>(196)</u>	<u>144</u>
<b><i>INVESTING</i></b>		
Cash acquired on start-up	-	3
Purchase of capital assets	<u>(84)</u>	<u>(66)</u>
	<u>(84)</u>	<u>(63)</u>
<b><i>INCREASE IN CASH POSITION</i></b>	<b>3</b>	<b>-</b>
<b><i>CASH POSITION, BEGINNING OF YEAR</i></b>	<u>-</u>	<u>-</u>
<b><i>CASH POSITION, END OF YEAR</i></b>	<u><u>\$ 3</u></u>	<u><u>\$ -</u></u>

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG GOLF SERVICES - SPECIAL OPERATING AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003  
(in thousands of dollars)

### 1. *Commencement of Operations*

On February 23, 2000, Council directed that a Business Plan and Operating Charter for a Golf Services - Special Operating Agency ("Agency") be prepared and further that the municipal golf course operations be realigned under the purview of the Planning, Property and Development Department.

The Agency manages the golf courses operated by the City and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

### 2. *Summary of Significant Accounting Policies*

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

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

#### **Inventory**

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

#### **Capital assets**

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by the City of Winnipeg Property and Assessment Department. All golf course improvements incurred up to January 1, 2002 are assumed to be fully amortized. Equipment on hand as at January 1, 2002, is recorded at its estimated net realizable value on that date. Subsequent acquisitions are recorded at cost.

Capital assets are amortized over the estimated useful life using the following rates and methods:

Furniture	10%	Straight-line
Golf course improvements	5%	Straight-line
Building	4%	Straight-line

#### **Revenue Recognition**

Green fees and equipment rental income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product.



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

### **Financial Instruments**

Financial instruments include accounts receivable, due to City of Winnipeg - General Revenue fund, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

## 3. *Capital Assets*

	Cost	Accumulated Amortization	Net Book Value	
			2003	2002
Land	\$ 20,376	\$ -	\$ 20,376	\$ 20,376
Building	3,383	270	3,113	3,249
Equipment	1,182	157	1,025	594
Golf course improvements	46	1	45	-
	<u>\$ 24,987</u>	<u>\$ 428</u>	<u>\$ 24,559</u>	<u>\$ 24,219</u>

## 4. *Due to City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Cash transactions are credited or charged to the "Due (to)/from" account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is \$400 thousand at a rate of 6.5%.

## 5. *Employee Benefits*

### **a) Vacation**

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

### **b) Retirement allowance**

Under various union agreements, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the retirement allowance liability as at December 31, 2003, at \$121 thousand (2002 - \$121 thousand).

### **c) Pension**

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$52 thousand (2002 - \$52 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of January 1, 2003 and has an actuarial surplus.

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

	<u>2003</u>	<u>2002</u>
<b>Golf Course Reserve</b>		
Golf course improvements loan, interest at 6%, with annual principal repayments of \$10 thousand, commencing in 2004	\$ 150	\$ 75
<b>General Revenue Fund</b>		
Start-up loan, interest at 6%, repayable in annual payments of \$264 thousand, commencing in 2007	<u>3,976</u>	<u>3,976</u>
	4,126	4,051
Current portion of long-term debt	<u>(6)</u>	<u>-</u>
	<u>\$ 4,120</u>	<u>\$ 4,051</u>

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

2004	\$ 6
2005	12
2006	18
2007	45
2008	48
Thereafter	<u>3,997</u>
	<u>\$ 4,126</u>

b) Interest on the golf course improvements loan during the year was \$5 thousand (2002 - \$2 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was \$118 thousand (2002 - \$239 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was \$123 thousand (2002 - \$241 thousand).

7. *Municipal Tax Equivalency Charge*

Municipal realty tax equivalency charges are applicable to the five facilities owned and previously operated by the City of Winnipeg - Windsor, Kildonan, Crescent Drive, Harbour View and John Blumberg. These charges are based on estimated assessments and mill rates that would have been applicable had these facilities been privately owned. Estimated business tax equivalency amounts are also included with respect to the three facilities operated entirely by the Agency, based on rates applicable to private golf course businesses.

8. *Contributed Surplus*

Contributed Surplus increased by \$484 thousand due to the transfer of equipment at net book value belonging to the Agency, which was previously administered by Fleet Services. Equipment transferred was attributable to the following golf courses:

Equipment - Kildonan Golf Course	\$ 196
Equipment - Windsor Golf Course	158
Equipment - Crescent Drive Golf Course	68
Equipment - Harbourview	<u>62</u>
	<u>\$ 484</u>

**9. *Related Party Transactions***

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

- a) In Services, an amount of \$61 thousand (2002 - \$59 thousand) for general government charges has been included and paid to the General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.
- b) An amount of \$17 thousand (2002 - \$15 thousand) has been transferred to the Civic Accommodations Fund for the rental of office space.



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

On March 20, 1997, Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies ("SOA") as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

On September 24, 1997, Council adopted the strategic direction with regard to SOAs identified in the report entitled "Special Operating Agencies Initiative".

On March 25, 1998, Council adopted the Policy and Framework for Alternative Service Delivery (ASD), which recommended that certain services be studied as potential candidates for delivery outside of the departmental structure of government.

In 1999, Public Works Department conducted a feasibility study of alternative service delivery options for those services provided by Equipment and Material Services (EMS). The report was presented in June 2000 and it recommended that EMS become a Special Operating Agency.

On October 18, 2000, Council approved the Alternative Service Delivery Committee's feasibility study recommendation that administration produce a Business Plan and Operating Charter to convert EMS to an SOA. Further, Council approved that the Business Plan and Operating Charter be premised on the following principles:

- The SOA maintain the existing dedicated customer base for a period of three years;
- The SOA assume ownership of the fleet of its current customer;
- The SOA have the authority to access the Equipment Replacement Reserve as a financing source for the replacement of equipment; and
- The SOA have the authority to increase its customer base.

The Agency commenced operations on January 1, 2003.

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

**STATEMENT OF FINANCIAL POSITION**

*As at December 31, 2003  
(in thousands of dollars)*

**ASSETS**

Current

Due from City of Winnipeg - General Revenue Fund (Note 4)	\$ 11,453
Accounts receivable	77
Current portion of loans receivable (Note 5)	85
Inventory	794
Prepaid expenses	179

12,588

Loans receivable (Note 5)	241
Capital assets (Note 6)	22,209

\$ 35,038

**LIABILITIES**

Current

Accounts payable and accrued liabilities	\$ 428
Vacation payable (Note 7a)	222
Income taxes payable (Note 8)	328

978

Deferred revenue	11,626
Retirement allowance (Note 7b)	714
Environmental liability (Note 9)	420
Long-term debt (Note 10)	18,721

31,481

32,459

Commitments (Note 11)

**SURPLUS**

Contributed surplus (Note 3)	390
Retained earnings	2,189

2,579

\$ 35,038

*See accompanying notes to the financial statements*

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

**STATEMENT OF OPERATIONS**

*For the year ended December 31, 2003  
(in thousands of dollars)*

**REVENUES**

Fleet leases	\$	9,194
Services and parts revenue		5,368
Income from fleet acquired at start-up		5,014
Fuel sales		4,446
Rental income		1,803
Gain on sale of capital assets		1,575

Total Revenues 27,400

**EXPENSES**

Services		6,421
Salaries and employee benefits		5,913
Amortization		5,741
Supplies		5,713
Other		623
Interest		472

Total Expenses 24,883

Net income from operations 2,517

Income tax equivalency charge (Note 8) 328

**NET INCOME FOR THE YEAR AND RETAINED EARNINGS** \$ 2,189

*See accompanying notes to the financial statements*



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

**STATEMENT OF CASH FLOWS**

*For the year ended December 31, 2003  
(in thousands of dollars)*

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

***OPERATING***

Net income for the year	\$ 2,189
Non-cash items related to operations	
Amortization	5,741
Income from fleet acquired at start-up	(5,014)
Gain on sale of capital assets	(1,575)
	<hr/>
Working capital from operations	1,341
Net change in working capital	<hr/> 501 <hr/>
	<hr/> 1,842 <hr/>

***FINANCING***

Decrease in Due from City of Winnipeg - General Revenue Fund	6
Increase in long-term debt	6,169
	<hr/> 6,175 <hr/>

***INVESTING***

Purchase of capital assets	(9,393)
Increase in loans receivable	(199)
Proceeds from sale of capital assets	1,575
	<hr/> 1,575 <hr/>
	<hr/> (8,017) <hr/>

***CASH POSITION, END OF YEAR***

***\$ -***  

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*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003  
(in thousands of dollars)

### 1. Commencement of Operations

On May 28, 2003, Council adopted the Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency (SOA) effective January 1, 2003.

The Agency offers a complete range of fleet management services to The City of Winnipeg, its main customer, and provides light, super and heavy duty vehicles and construction and specialty equipment, using life cycle cost management principles.

### 2. Summary of Significant Accounting Policies

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

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

#### Inventory

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

#### Capital assets

Capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003, are recorded at their estimated net realizable value on that date. Subsequent acquisitions are recorded at cost. Land and buildings are stated at assessed values as of January 1, 2003 which were determined by The City of Winnipeg Property Assessment Department.

Capital assets are amortized on the basis of their cost less approximate residual value over the estimated useful life using the following rates and methods:

Buildings	4%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	Lease term	Straight-line
Equipment	10% to 30%	Straight-line

#### Revenue recognition

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

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

### **Deferred revenue**

Deferred revenue represents the value of fleet assets acquired from the City of Winnipeg at start-up. This amount is recognized as income at the same rate that the related assets are being amortized.

### **Financial instruments**

Financial instruments include due from City of Winnipeg - General Revenue Fund, accounts receivable, loans receivable, accounts payable and accrued liabilities, income taxes payable, and long-term debt. Unless otherwise stated, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## 3. *Assets and Liabilities Acquired on Start-Up*

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

Due from City of Winnipeg - General Revenue Fund	\$	11,459
Accounts receivable		118
Inventory		718
Prepaid expenses		406
Loans receivable		356
Capital assets		18,748
Accounts payable		(385)
Vacation payable		(222)
Deferred revenue		(16,831)
Retirement allowance		(714)
Environmental liability		(420)
Long-term debt		(12,843)
		<hr/>
Contributed surplus	\$	390
		<hr/> <hr/>

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

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Cash transactions are credited or charged to the "Due (to)/from" account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account. The Agency has negotiated an operating line of credit up to \$300 thousand from The City of Winnipeg at a rate of 6.5%.



**5. Loans Receivable**

Glacial Sand and Gravel - Special Operating Agency

Equipment financing program loan, interest at 6.5%, payment of \$2.1 thousand monthly, due September 2005	\$ 42
Equipment financing program loan, interest at 6.5%, payment of \$6.5 thousand monthly, due February 2008	<u>284</u>
	326
Current portion	<u>(85)</u>
	<u><u>\$ 241</u></u>

**6. Capital Assets**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value 2003</u>
Land	\$ 390	\$ -	\$ 390
Building	1,724	63	1,661
Fleet assets			
Acquired at start-up	16,609	4,983	11,626
Purchased	8,416	437	7,979
Equipment	<u>779</u>	<u>226</u>	<u>553</u>
	<u><u>\$ 27,918</u></u>	<u><u>\$ 5,709</u></u>	<u><u>\$ 22,209</u></u>

**7. Employee Benefits**

**a) Vacation**

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

**b) Retirement allowance**

Under various union agreements, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the retirement allowance liability at \$714 thousand at December 31, 2003.

**c) Pension**

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$333 thousand of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of January 1, 2003 and has an actuarial surplus.

**8. Income Tax Equivalency**

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge which is payable to The City of Winnipeg based on the following rates:

Small business rate on the first \$225 thousand of net income	18.12%
Regular corporate rate on the balance	40.12%

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

**9. Environmental Liability**

The Agency has included an estimate of the cost to remediate fuel sites. A third party has estimated the cost at \$420 thousand.

**10. Long-Term Debt**

City of Winnipeg Equipment and Material Services - non-interest bearing, no repayment schedule	\$ 1,586
City of Winnipeg (see below)	<u>17,135</u>
	<u>\$ 18,721</u>

On May 28, 2003, Council approved the transfer of the Equipment Replacement Reserve Fund balance at January 1, 2003 to the Agency, to be used as a source of financing for fleet replacement, thereby resulting in the termination of the Fund at January 1, 2003. The balance increases during the year by customer capital contributions and interest, and decreases by the amount of capital leases charged to customers, to the limit of the annual contribution amount. Interest paid on the balance was \$412 thousand for the year. The balance at December 31, 2003 is \$17,135 thousand.

**11. Commitments**

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

	<u>Operating Leases</u>
2004	<u>\$ 232,289</u>

## **12. Related Party Transactions**

The Agency is economically dependent on The City of Winnipeg, as it derives most of its revenue and all of its financing requirements from the City.

In addition to those disclosed elsewhere in the financial statements, included in the Agency's revenues/expenses are the following transactions which occurred in the normal course of operations and are recorded at the exchange amount.

- a) Revenues include sales of goods and services of \$19,880 thousand to The City of Winnipeg.
- b) General government charges in the amount of \$363 thousand to General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.
- c) An amount of \$271 thousand has been transferred to the Civic Accommodations Fund for the rental of office space.
- d) An amount of \$162 thousand has been transferred to the General Revenue Fund for business taxes, dental and vision care benefits and human resource services.



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

**SCHEDULE OF SERVICES AND PARTS**

*As at December 31, 2003  
(in thousands of dollars)*

Consumables and corrective maintenance	\$	1,994
Insurance revenue		1,646
Power tools		675
Manufacturing sales		579
Interest		348
Provincial support grant		103
Other		23
		<hr/>
	\$	<u>5,368</u>



Wholly-Owned Corporations  
2003 DETAILED FINANCIAL STATEMENTS







# THE CONVENTION CENTRE CORPORATION

The Winnipeg Convention Centre was opened in 1975 and at the time, was the largest facility of its kind in Canada. Today while not the largest facility in Canada, the Centre remains very versatile allowing for a variety of uses.

The last major upgrade and modernization program was completed in 1996, however, the Centre continues to undertake facility upgrades to meet the needs of today's dynamic businesses and organizations. In 2003, the Centre relocated their second floor administrative offices to the southeast corner of the building, and renovated and expanded the second floor ballroom. This \$1.5 million project will be completed by February 19, 2004.

Today, our facility and experienced staff provide the highest quality of service to convention planners and delegates. Our 160,000 square foot facility remains as one of the most versatile centres in Canada, a necessary feature, as we compete against many convention centres and facilities ranging in size from 38,000 square feet to 2,000,000 square feet.

2003 was a positive year for the Centre with event revenues exceeding the previous record setting period. In July, the Tenth Assembly of the Lutheran World Federation hosted their International conference with over 2,000 delegates in attendance. This was the first time this event has ever been held in Canada. The economic benefit from this convention in delegate spending was in excess of \$2 million. Other national and international conventions included: Canadian Diabetes Association, Canadian Association of Occupational Therapists, Canadian Medical Association, The Operating Room Nurses Association, The Canadian Association of Medical Radiation Technicians, and the Canadian Veterinary Medical Association.

Since its inception, the Winnipeg Convention Centre has generated over \$721 million to the economy of Manitoba; \$198,888,645 in taxes to the three levels of government and \$597,113,802 into the local economy such as hotels, restaurants, retail establishments, transportation, etc.

The Winnipeg Convention Centre tracks lost business for the Centre. For the period of 2000 through 2003, over \$12 million of delegate spending was lost as a result of lack of space availability for the convention market sector.

## 2003 STATISTICS

Occupancy	96%
Events hosted	1,340
Average events per day	3.7
People to the centre	1,924,102
Delegate	
Spending	\$ 36,299,706
Total employees	575
Total payroll	\$ 5,016,000

## 2003 MAJOR EVENTS/CONFERENCES

TruServ Canada (April/October)	Delegates	3,000
Federation of Canadian Municipalities		1,000
Canadian Medical Association		600
Canadian School Boards Association		525
Manitoba Dental Association		1,000
Lutheran World Federation		2,000
Rotary Career Symposium	Attendees	16,000
Mid-Canada Boat Show		13,080
Home Expressions Show		27,382
World of Wheels		20,813

The Centre continues to reinvest capital funds for major repairs, upgrades, and food and beverage equipment purchases. These expenditures are funded from the Centre's grants from the City of Winnipeg and the Province of Manitoba, as well as revenues from operations - with no added costs to the tax payers.

Our Sales & Marketing efforts continue to focus on fulfillment of our Mission Statement:

*"The prime function of the Winnipeg Convention Centre is to generate economic benefits for the City of Winnipeg and the Province of Manitoba, through the efficient operation of a unique, superior, multi-use facility, which attracts local, regional, national and international events."*

The Convention Centre is administered by a Board of Directors consisting of fifteen members, four of which are members of Winnipeg City Council; seven members appointed by the City of Winnipeg; two members are appointed by the Lieutenant Governor in Council; and two members are appointed at large.

# THE CONVENTION CENTRE CORPORATION

## BALANCE SHEET

As at December 31

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash and short term investment (note 2)	\$ 3,357,073	\$ 2,632,256
Accounts receivable	1,020,901	1,752,889
Inventory	114,545	148,562
Prepaid expenses	37,693	40,067
	<u>4,530,212</u>	<u>4,573,774</u>
Capital assets (note 3)		
Major capital expenditures, net of accumulated amortization of \$1,357,733 (2002 - \$1,271,286)	642,267	728,714
City of Winnipeg portion of revitalization program expenditures, net of accumulated amortization of \$894,011 (2002 - \$762,278) (note 4)	2,105,989	2,237,722
Provincial portion of revitalization program expenditures, net of accumulated amortization of \$592,146 (2002 - \$508,345) (note 4)	1,407,854	1,491,655
Major repair and replacement expenditures, net of accumulated amortization of \$3,858,054 (2002 - \$3,495,559)	1,217,069	637,884
Wall cladding replacement and stabilization, net of accumulated amortization of \$354,274 (2002 - \$27,150)	6,198,885	6,488,924
	<u>11,572,064</u>	<u>11,584,899</u>
	<u>\$ 16,102,276</u>	<u>\$ 16,158,673</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 2,020,991	\$ 2,452,325
Customer deposits	458,063	567,682
Current portion of City of Winnipeg debentures (note 5)	202,867	218,180
Current portion of City of Winnipeg term loan (note 6)	44,348	44,348
Deferred contributions for major repair and replacement expenditures (note 7)	1,643,491	1,101,755
	<u>4,369,760</u>	<u>4,384,290</u>
City of Winnipeg debentures (note 5)	2,545,389	2,748,255
City of Winnipeg term loan (note 6)	302,220	346,566
Deferred contributions related to capital assets (note 8)	2,624,923	2,129,539
Deferred funding - wall cladding replacement and stabilization (note 9)	6,198,885	6,488,924
	<u>16,041,177</u>	<u>16,097,574</u>
<b>SURPLUS</b>		
Surplus	<u>61,099</u>	<u>61,099</u>
	<u>\$ 16,102,276</u>	<u>\$ 16,158,673</u>

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

# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF SURPLUS

*Year ended December 31*

	<u>2003</u>	<u>2002</u>
Surplus, beginning of year	\$ 61,099	\$ 61,099
Excess of revenue over expenditures for the year	1,265,677	443,786
Allocation of surplus to deferred contributions for major repair and replacement expenditures (note 7)	<u>(1,265,677)</u>	<u>(443,786)</u>
Surplus, end of year	<u>\$ 61,099</u>	<u>\$ 61,099</u>

*The accompanying notes are an integral part of this Statement.*



# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31

	<u>2003</u>	<u>2002</u>
Operating revenue	\$ 10,299,849	\$ 9,021,109
Operating costs	<u>4,767,033</u>	<u>4,440,454</u>
Net operating revenue	<u>5,532,816</u>	<u>4,580,655</u>
General operating grant (note 10)		
City of Winnipeg	1,575,921	1,545,297
Province of Manitoba	<u>1,384,034</u>	<u>1,425,740</u>
	<u>2,959,955</u>	<u>2,971,037</u>
	<u>8,492,771</u>	<u>7,551,692</u>
Expenditures		
Accounting and financial services and human resources	690,962	644,523
Administration	956,573	990,192
Building maintenance	3,326,366	3,269,559
Client services	1,016,205	1,008,204
Sales and promotion	855,767	877,761
Security	<u>381,221</u>	<u>317,667</u>
	<u>7,227,094</u>	<u>7,107,906</u>
Net operating revenue less expenditures before under-noted	<u>1,265,677</u>	<u>443,786</u>
City of Winnipeg grants related to debentures (note 10)	527,167	599,495
Amortization to revenue of		
Deferred provincial contributions related to the revitalization program expenditures (note 8)	83,801	83,800
Deferred city and provincial contributions related to the major repair and replacement expenditures (note 8)	362,495	490,346
Deferred funding - wall cladding replacement and stabilization (note 9)	327,124	27,150
Amortization to expense of		
Major capital expenditures (note 3)	(86,447)	(114,790)
Revitalization program expenditures (note 3)	(215,534)	(209,259)
Major repair and replacement expenditures (note 3)	(362,495)	(490,346)
Wall cladding replacement and stabilization (note 3)	(327,124)	(27,150)
Interest on City of Winnipeg debentures	<u>(308,987)</u>	<u>(359,246)</u>
	<u>-</u>	<u>-</u>
Excess of revenue over expenditures for the year	<u>\$ 1,265,677</u>	<u>\$ 443,786</u>

*The accompanying notes are an integral part of this Statement.*

# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF CASH FLOWS

Year ended December 31

	2003	2002
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	\$ 1,265,677	\$ 443,786
Adjustments for		
- insurance proceeds	25,208	-
- amortization of major capital expenditures	86,447	114,790
- amortization of revitalization program expenditures	215,534	209,259
- amortization of major repair and replacement expenditures	362,495	490,346
- amortization of wall cladding replacement and stabilization	327,124	27,150
- amortization of deferred contributions related to capital assets	(773,420)	(601,296)
	<u>1,509,065</u>	<u>684,035</u>
Net changes in working capital balances		
Accounts receivable	731,988	(884,873)
Inventory	34,017	(1,629)
Prepaid expenses	2,374	1,534
Accounts payable and accrued liabilities	(431,334)	910,130
Customer deposits	(109,619)	167,975
	<u>1,736,491</u>	<u>877,172</u>
<b>FINANCING ACTIVITIES</b>		
City of Winnipeg term loan repayments	(44,346)	(44,348)
City of Winnipeg debenture repayments	(218,179)	(240,249)
City of Winnipeg/Province of Manitoba major repair and replacement grant received (note 7)	192,531	109,120
	<u>(69,994)</u>	<u>(175,477)</u>
<b>INVESTING ACTIVITIES</b>		
Major repair and replacement expenditures (note 7)	(941,680)	(359,757)
Wall cladding replacement and stabilization, net of government funding	-	505,519
	<u>(941,680)</u>	<u>145,762</u>
<b>INCREASE IN CASH during the year</b>	<b>724,817</b>	<b>847,457</b>
Cash and short term investments, beginning of year	<u>2,632,256</u>	<u>1,784,799</u>
Cash and short term investments, end of year	<u>\$ 3,357,073</u>	<u>\$ 2,632,256</u>

The accompanying notes are an integral part of this Statement.

# THE CONVENTION CENTRE CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As at December 31, 2003

### 1. *Significant Accounting Policies*

The corporation was incorporated by special act under the laws of Manitoba to operate and promote the Winnipeg Convention Centre. The corporation is a not for profit organization and is therefore not subject to income taxes.

The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles. They include the following significant accounting policies:

#### a) **Inventory**

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

#### b) **Capital assets**

Capital assets are recorded at cost. Normal repairs and maintenance are expensed as incurred.

Amortization is calculated at the following rates and basis:

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

#### c) **Vacation pay**

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

#### d) **Employee sick leave entitlement**

Certain employees hired before February 1996 are entitled to cash payment for unused sick leave credits upon retirement or death. The amount of these accumulated sick leave credits have not been actuarially determined and are not recorded in the financial statements. The credits are expensed when paid.

The estimated maximum unused sick leave credits at year end totalled \$452,000 (2002 - \$460,000).

The corporation entered into new union agreements in 1996 which eliminate the cash payment entitlement for employees hired after the implementation of the new agreements.

#### e) **Measurement uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.



## 2. *Cash and Short Term Investments*

	<u>2003</u>	<u>2002</u>
Cash	\$ 1,857,073	\$ 1,132,256
Term Deposit	1,500,000	1,500,000
	<u>\$ 3,357,073</u>	<u>\$ 2,632,256</u>

## 3. *Capital Assets*

### a) **Major capital expenditures**

The amount for major capital expenditures represents expenditures for major capital projects incurred in the years 1987 to 1995 inclusive.

Major capital expenditures are carried at cost and are equal to the related debentures (note 5). They are being amortized in an amount equal to the principal repayments on the related debentures, which approximates the estimated useful life. During the year, the corporation recorded amortization of \$86,447 (2002 - \$114,790).

### b) **City of Winnipeg portion of revitalization program expenditures**

The amount for revitalization program expenditures represents The City of Winnipeg portion of expenditures for revitalization program projects (note 4) incurred in the years 1991 - 1996 inclusive.

Revitalization program expenditures are carried at cost and are equal to the related debentures (note 5). They are being amortized in an amount equal to the principal repayments on the related debentures. During the year, the corporation recorded amortization of \$131,733 (2002 - \$125,459).

### c) **Provincial portion of revitalization program expenditures**

The amount for this portion of the revitalization program represents the provincial government's portion of expenditures for the revitalization program projects (note 4) incurred in years 1991 - 1996 inclusive.

These expenditures are carried at cost and are amortized on a pro-rata basis at the same rate as The City of Winnipeg revitalization program assets. During the year, the corporation recorded amortization of \$83,801 (2002 - \$83,800) on these assets.

### d) **Major repair and replacement expenditures**

Starting in 1994, a portion of grant funding from The City of Winnipeg and the Province of Manitoba has been allocated to cover the cost of major repairs and replacements at The Convention Centre.

These assets are carried at cost and are equal to the restricted contributions portion of deferred contributions on the balance sheet (note 8), as the funding for the major repair and replacement program is restricted to purchase these assets. During the year, the corporation recorded amortization of \$362,495 (2002 - \$490,346) on these assets.

### 3. *Capital Assets (continued)*

#### e) **Wall cladding replacement and stabilization**

This amount represents the expenditures for the replacement of the exterior tyndall stone cladding of the Winnipeg Convention Centre. The Convention Centre Corporation, The City of Winnipeg, and The Government of Manitoba signed a funding agreement dated March 21, 2002 which stated that the costs of this project would be funded equally between The City of Winnipeg and The Government of Manitoba up to an amount of \$6.6 million. This funding is non-repayable if the conditions of the agreement are met.

The expenditures are carried at cost and are being amortized on a straight-line basis over 20 years. The funding for this project is recorded as deferred revenue and will be amortized into income at the same rate as the asset is amortized. During the year, the corporation recorded amortization of \$327,124 (2002 - \$27,150).

### 4. *Revitalization Program*

The Province of Manitoba provided a grant of \$2,000,000 to fund a portion of the revitalization program's expenditures. This grant funding is recorded as a deferred contribution and amortized at the same rate as the related assets are amortized. The City of Winnipeg has provided \$3,000,000 of debenture financing to fund the revitalization program. The portion of the revitalization program expenditures financed by the City of Winnipeg are recorded as a capital asset and the related debentures are recorded as a liability on the balance sheet. Debt service costs for these debentures will be funded by future grants from the City of Winnipeg.

5. *City of Winnipeg Debentures*

	2003			2002
	Debenture	Sinking Fund	Net	Net
<b>For major capital expenditures:</b>				
Bearing interest at 10 1/4%, maturing February 23, 2003, with annual Sinking Fund contributions of \$37,074 earning interest at 5%	\$ 800,000	\$ 800,000	\$ -	\$ 42,447
Bearing interest at 10%, maturing December 14, 2009, with annual Sinking Fund contributions of \$15,121 earning interest at 5%	500,000	297,046	202,954	231,533
Sinking Fund debenture refinanced as a serial debenture on January 17th 2003. Principal payments vary under the terms of the debenture and are payable January 17th yearly commencing 2004 and ending in 2013. The debenture bears interest between 3.05% and 5.35% per annum with interest payable semi-annually commencing July 17, 2003	233,499	-	233,499	233,499
Bearing interest at 9.375%, maturing February 11, 2013, with annual Sinking Fund contributions of \$6,805 earning interest at 5%	225,000	89,375	135,625	146,649
Bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of \$3,024 earning interest at 5%	100,000	29,801	70,199	74,591
	<u>1,858,499</u>	<u>1,216,222</u>	<u>642,277</u>	<u>728,719</u>
<b>For revitalization program expenditures:</b>				
Bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of \$90,728 earning interest at 5%	3,000,000	894,021	2,105,979	2,237,716
	<u>\$ 4,858,499</u>	<u>\$ 2,110,243</u>	<u>2,748,256</u>	<u>2,966,435</u>
Current portion			<u>202,867</u>	<u>218,180</u>
			<u>\$ 2,545,389</u>	<u>\$ 2,748,255</u>



5. *City of Winnipeg Debentures (continued)*

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

2004	\$	202,867
2005	\$	213,055
2006	\$	223,756
2007	\$	234,998
2008	\$	246,800

Debt service costs will be funded by grants from The City of Winnipeg. The corporation annually allocates an amount from grants received from The City of Winnipeg to cover debt service costs and the grants are recorded to income when the applicable expenditures are incurred.

6. *City of Winnipeg - Term Loan*

	<u>2003</u>	<u>2002</u>
Term loan	\$ 346,568	\$ 390,914
Less: current portion	<u>44,348</u>	<u>44,348</u>
	<u>\$ 302,220</u>	<u>\$ 346,566</u>

The term loan is non-interest bearing and repayable in 14 annual principal payments of \$44,348 each, beginning August 17, 1997 with the remaining balance due on August 17, 2011. The loan was originally advanced in 1991 to fund the corporation's deficit.

7. *Major Repair and Replacement Expenditures*

Deferred contributions for major repair and replacement include excess of revenue over expenditures and City and Province grant funding not yet expended. During the year, the corporation incurred \$941,680 (2002 - \$359,757) of major repairs and replacements.

8. *Deferred Contributions Related to Capital Assets*

Deferred contributions related to capital assets represent restricted contributions with which the corporation's major repair and replacement assets and the provincial portion of the revitalization program assets were purchased. These amounts are being amortized into income as the related assets are amortized.

	<u>2003</u>	<u>2002</u>
Beginning balance	\$ 2,129,539	\$ 2,343,928
Grant funding received for major repair and replacement expenditures during the year (note 10)	192,531	109,120
Deficiency (excess) of amounts funded over amounts expended on major repair and replacement	749,149	250,637
Deduct amounts amortized to revenue:		
Major repair and replacement expenditures	(362,495)	(490,346)
Provincial portion of revitalization program expenditures	<u>(83,801)</u>	<u>(83,800)</u>
	<u>\$ 2,624,923</u>	<u>\$ 2,129,539</u>

### 9. *Deferred Funding - Wall Cladding Replacement and Stabilization*

Deferred funding - wall cladding replacement and stabilization represent restricted contributions from The City of Winnipeg and The Government of Manitoba for the funding of the wall cladding replacement and stabilization project more fully disclosed in note 3(e). This amount is being amortized into income as the related asset is amortized.

	<u>2003</u>	<u>2002</u>
Beginning Balance	\$ 6,488,924	\$ -
Funding received or receivable during the year	37,085	6,516,074
Deduct amount amortized to revenue	<u>(327,124)</u>	<u>(27,150)</u>
	<u>\$ 6,198,885</u>	<u>\$ 6,488,924</u>

### 10. *Grants*

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

	<u>2003</u>	<u>2002</u>
City of Winnipeg	\$ 2,199,353	\$ 2,199,353
Province of Manitoba	<u>1,480,300</u>	<u>1,480,299</u>
	<u>\$ 3,679,653</u>	<u>\$ 3,679,652</u>

The grants are allocated as follows:

General operating grant	\$ 2,959,955	\$ 2,971,037
Debt service - City of Winnipeg debenture	527,167	599,495
Major repairs and replacement expenditures	<u>192,531</u>	<u>109,120</u>
	<u>\$ 3,679,653</u>	<u>\$ 3,679,652</u>

### 11. *Pension Plan*

The employees of the corporation are members of the City of Winnipeg Civic Employees Pension Plan. The corporation funds its required portion of pension costs in monthly amounts specified by the City of Winnipeg.

### 12. *Economic Dependency*

The corporation is dependent on The City of Winnipeg and the Province of Manitoba to provide it with funding and financing which are essential to its continuing operations.

### 13. *Comparative Figures*

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





## DESTINATION WINNIPEG INC.

2003 marked the transition year for Destination Winnipeg. A new President was appointed in April and the organization was re-focused. New operational policies and financial procedures were successfully put in place to improve the organization. New hires included Marketing and Communications Manager, Executive Assistant and a Project Manager for Transportation Sectors. A strategy and three year rolling business plan was developed and launched at Destination Winnipeg's first Annual General Meeting in September. In November, Destination Winnipeg moved into the Paris Building at 259 Portage Avenue as part of the International Business Centre co-location with the Winnipeg Chamber of Commerce and Province of Manitoba economic departments.

During this transition year, Destination Winnipeg remained focused on delivering the services and support to industry through its internal core capabilities of research, information, marketing and promotions as well as mobilizing industry and the three levels of government around strategic economic development.

The following represent some highlights of economic development initiatives undertaken during fiscal year 2003:

- DW facilitated and managed the creation of a Composites Industry Task Group consisting of public and private representatives to drive strategies for developing cross-sectoral capabilities in composites. In October 2003, the Composites Innovation Centre Inc., a not-for-profit entity was incorporated to further develop public-private partnership projects in composites. DW provided seed investment of near \$15,000 in 2003 plus significant resources and time, and helped to broker start-up contributions from the public and private sectors in excess of \$300,000. We continue to be the lead support agency to the Composites Innovation Centre and related activities.
- DW developed a framework strategy for the creation of a Biomed Zone immediately around the Canadian Science Centre for Human and Animal Health. The biomed zone concept is an integral part of a joint federal and provincial task force report positioning Winnipeg as an International Centre for Infectious Diseases and expanding Winnipeg's research and science cluster in this area.
- In 2003 DW was the lead agency in responding to a number of Business Service Centre opportunities. DW developed a comprehensive profile of the customer contact and business service centre industry in Winnipeg and has become the primary source for information expertise for this sector. The agency has been aggressively pursuing two top tier centres and back office operations.
- DW continued to be active in north/south trade opportunities within the Mid-Continent Trade Corridor through its involvement as board directors on several key bi-national and tri-national organizations. These efforts have been able to pursue increased export opportunities and investment opportunities for Winnipeg based companies.
- Information Communication Technology initiatives continued to be a priority in 2003 with participants in a trade mission with industry and government to North Dakota and Minneapolis, and support research for this sector.
- DW worked with key Winnipeg based industries in their efforts to expand their operations in the city, including two major advanced manufacturing companies.
- DW has been active in working with the City of Winnipeg Department of Planning, Property and Development particularly in the areas of development and building permit processes.
- In September 2003, DW successfully launched a new website and in late 2003, was developing some key new collateral materials for promotion of Winnipeg business and tourism in 2004.
- We have had record levels of website visits and have averaged over 25,000 visits per month since the new website was launched, a significant increase over past levels.



## DESTINATION WINNIPEG INC.

The following are some highlights of **tourism services** undertaken during fiscal year 2003:

According to the latest city tourism figures from Statistics Canada (for 2002), Winnipeg's tourism industry generated over \$483 million in direct visitor spending from 2.77 million visitors. 2003 was a year of great challenges for tourism on the worldwide, national and local levels. The local industry felt the impact of the war in Iraq, SARS, BSE and a sluggish U.S. economy.

Tourism marketing continues to be partner-based, with focused campaigns to specific markets. Priority markets are: meetings and conventions; and sports, arts and special events. These tourism markets help to attract higher spending and overnight visitors.

- . Total traced meetings and conventions for the year 2003 were 199 with approximately 49,000 delegates spending \$41 million.
- . DW worked with industry partners on a variety of marketing initiatives, for example;
  - 40 partners in Team Winnipeg - meetings and conventions
  - 18 partners in Jack Rabbit Show for USA Midwest tour operators
  - 10 partners for Thunder Bay Mall Show in the leisure market
  - Media marketplace in Minneapolis - one of seven partners
  - Sport marketplace in USA - one of eight partners
- . Team Winnipeg is a meetings and conventions marketing partnership that is industry-driven. DW provides coordination and support to Team Winnipeg. Partners participate in select marketing initiatives throughout the year.
- . DW was very involved on all aspects of the bid process for the 2005 Juno Awards, including preparation of the comprehensive bid package. Winnipeg was awarded the Juno Awards for April 2005. We continue to support the host committee.
- . Our direct sales and bid efforts for meetings and conventions are focused on attracting meetings and conventions in future years. For example, in 2003, we secured meeting and convention business for 2004 - 2008.
- . DW continued its contractual arrangement with Winnipeg Airports Authority to provide information services at Winnipeg International Airport. We have bilingual staff at the Airport Information Centre providing visitor counselling and handling calls.
- . 83,989 inquiries were handled by the visitor counsellors in 2003.
- . DW distributes over 700,000 promotional materials on Winnipeg annually, from brochures to maps to visitor guides.
- . Tourism marketing materials were completely re-designed in the latter part of 2003 to get ready for 2004, incorporating DW's brand and new look.
- . Throughout the year, DW and partners responded to external media requests and stories about Winnipeg. We compile and tabulate the value of external media articles using an industry standard guide. Earned media for the year was over \$1 million.

# DESTINATION WINNIPEG INC.

## BALANCE SHEET

December 31, 2003, with comparative figures for 2002

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note 3)	\$ 327,032	\$ 173,576
Investments (Note 4)	739,907	805,870
Accounts receivable	67,595	49,667
Merchandise inventory	-	12,293
Prepaid expenses and promotional materials	53,581	31,218
	<u>1,188,115</u>	<u>1,072,624</u>
Capital assets (Note 5)	<u>346,296</u>	<u>74,239</u>
	<u>\$ 1,534,411</u>	<u>\$ 1,146,863</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 132,647	\$ 312,832
Deferred rent	27,892	-
Deferred contributions - future expenses (Note 6)	63,679	28,628
Deferred contributions - capital assets (Note 7)	310,714	-
<b>NET ASSETS</b>		
Unappropriated		
Invested in capital assets (Note 8)	35,582	74,239
Unrestricted	479,427	98,123
	<u>515,009</u>	<u>172,362</u>
Appropriated for Contingency Reserve (Note 9)	484,470	333,041
Internally restricted (Note 10)	-	300,000
	<u>999,479</u>	<u>805,403</u>
Commitments (Note 11)	<u>\$ 1,534,411</u>	<u>\$ 1,146,863</u>

See accompanying notes to the financial statements



# DESTINATION WINNIPEG INC.

## STATEMENT OF REVENUE AND EXPENDITURES

*Year ended December 31, 2003, with comparative figures for the four month period ended December 31, 2002*

	<u>2003</u>	<u>2002</u> (Four months)
<b>REVENUE</b>		
Funding		
City of Winnipeg	\$ 1,227,200	\$ 482,993
Province of Manitoba	1,226,700	408,567
Airport information services	53,149	17,988
Private sector partners	167,327	5,408
Public sector partners	53,848	-
Interest	30,762	6,327
Other	46,519	23,836
Amortization of deferred contributions	5,266	-
	<u>2,810,771</u>	<u>945,119</u>
<b>EXPENDITURES</b>		
Initiatives and projects	972,411	337,250
Personnel	1,176,648	340,388
Administrative	301,545	65,096
Occupancy and facilities	126,551	141,226
Amalgamation costs	39,540	98,781
	<u>2,616,695</u>	<u>982,741</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>\$ 194,076</u>	<u>\$ (37,622)</u>

*See accompanying notes to the financial statements*

## DESTINATION WINNIPEG INC.

### STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2003, with comparative figures for the four month period ended  
December 31, 2002

	<u>Unappropriated</u>	<u>Internally Restricted</u>	<u>Contingency Reserve</u>	<u>Total 2003</u>	<u>Total 2002</u> (Four months)
<i>BALANCE, beginning of period</i>	\$ 172,362	\$ 300,000	\$ 333,041	\$ 805,403	\$ 843,025
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>194,076</u>	<u>-</u>	<u>-</u>	<u>194,076</u>	<u>(37,622)</u>
	366,438	300,000	333,041	999,479	805,403
ALLOCATION FROM CONTINGENCY RESERVE (Note 9)	(151,429)	-	151,429	-	-
ALLOCATION FROM INTERNALLY RESTRICTED NET ASSETS (Note 10)	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>BALANCE, end of period</i>	<u>\$ 515,009</u>	<u>\$ -</u>	<u>\$ 484,470</u>	<u>\$ 999,479</u>	<u>\$ 805,403</u>

See accompanying notes to the financial statements

# DESTINATION WINNIPEG INC.

## STATEMENT OF CASH FLOWS

Year ended December 31, 2003, with comparative figures for the four month period ended December 31, 2002

	<u>2003</u>	<u>2002</u> (Four months)
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenditures	\$ 194,076	\$ (37,622)
Adjustments for		
Amortization of capital assets	16,402	13,164
Write-off of capital assets	74,239	-
Amortization of deferred contributions	(5,266)	-
Increase in deferred contributions - future expense	35,051	-
Non-cash rent expense	27,892	-
Changes in non-cash operating working capital items		
Accounts receivable	(17,928)	57,687
Prepaid expenses and promotional materials	(10,070)	161
Due from related party	-	(19,368)
Accounts payable and accrued liabilities	(180,185)	141,742
Due to related party	-	(448,599)
	<u>134,211</u>	<u>(292,835)</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(362,698)	-
Investments, net	65,963	(395,103)
	<u>(296,735)</u>	<u>(395,103)</u>
<b>FINANCING ACTIVITIES</b>		
Increase in deferred contributions - capital assets	315,980	-
	<u>153,456</u>	<u>(687,938)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>153,456</b>	<b>(687,938)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>173,576</b>	<b>861,514</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 327,032</b>	<b>\$ 173,576</b>

See accompanying notes to the financial statements



# DESTINATION WINNIPEG INC.

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2003

### 1. General

On April 26, 2002, the City of Winnipeg passed a resolution by council authorizing the amalgamation of Economic Development Winnipeg (Incorporated as Winnipeg Economic Development Organization) with Tourism Winnipeg. The amalgamated entity continues operations under the name Destination Winnipeg Inc.. The date of the amalgamation was September 1, 2002.

The organization is economically dependent on the City of Winnipeg and the Province of Manitoba for the majority of its revenue.

### 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

#### a) Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### b) Capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

<u>Asset</u>	<u>Rate</u>
Computer hardware and software	- 2 to 3 years
Office furniture and fixtures	- 5 years
Leasehold improvements	- over the term of the related lease

#### c) Deferred rent

As part of the new operating premises lease, a period of free rent was incurred. Therefore, lease payments for the entire lease term are expensed equally over the term of the lease.

#### d) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. *Cash and Cash Equivalents*

	<u>2003</u>	<u>2002</u> (Four months)
Cash	\$ 327,032	\$ 165,008
Short-term investments	-	8,568
	<u>\$ 327,032</u>	<u>\$ 173,576</u>

Cash and cash equivalents consist of cash balances with the bank and investments in money market instruments.

4. *Investments*

Investments consist of investments in money market instruments to fund the contingency reserve (Note 9), co-location expenses (Note 10), and other expenses. Investments are recorded at cost which approximates market value.

5. *Capital Assets*

	<u>2003</u>			<u>2002</u> (Four months)
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware and software	\$ 33,142	\$ 6,911	\$ 26,231	\$ 42,706
Office furniture and fixtures	47,976	4,798	43,178	22,432
Leasehold improvements	281,580	4,693	276,887	9,101
	<u>\$ 362,698</u>	<u>\$ 16,402</u>	<u>\$ 346,296</u>	<u>\$ 74,239</u>

6. *Deferred Contributions - Future Expenses*

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

	<u>2003</u>	<u>2002</u> (Four months)
Balance, beginning of period	\$ 28,628	\$ 34,224
Amounts received during the period	140,090	-
	<u>168,718</u>	<u>34,224</u>
Less amounts recognized into revenue in the period	(105,039)	(5,596)
Balance, end of period	<u>\$ 63,679</u>	<u>\$ 28,628</u>
	<u>2003</u>	<u>2002</u> (Four months)
Team Winnipeg	\$ 58,679	\$ 23,628
Parkway and trail collateral material	5,000	5,000
	<u>\$ 63,679</u>	<u>\$ 28,628</u>

**7. Deferred Contributions - Capital Assets**

Deferred contributions - capital assets represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	<u>2003</u>	<u>2002</u> (Four months)
Balance, beginning of period	\$ -	\$ -
Contributions received	315,980	-
Amount amortized to revenue	<u>(5,266)</u>	<u>-</u>
Balance, end of period	<u>\$ 310,714</u>	<u>\$ -</u>

**8. Invested in Capital Assets**

	<u>2003</u>	<u>2002</u> (Four months)
Capital assets	\$ 346,296	\$ 74,239
Deferred contributions - capital assets	<u>(310,714)</u>	<u>-</u>
Invested in capital assets	<u>\$ 35,582</u>	<u>\$ 74,239</u>

**9. Contingency Reserve**

A contingency reserve was established to accumulate funds to be available for certain 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, 2003, \$151,429 (2002 - \$50,384 was deducted) was added to the contingency reserve and removed from unappropriated surplus, based on the calculation of the contingency reserve requirement as at December 31, 2003.

**10. Internally Restricted Net Assets**

In 2003, the \$300,000 internally restricted net assets were returned to unappropriated surplus for the purpose of co-location to the new premises as a result of the amalgamation. The organization moved into the new premises on November 1, 2003.

**11. Commitments**

The organization is committed under leases for office premises and equipment for a total of \$1,664,681. The minimum lease payments over the next five years are as follows:

2004	\$ 165,298
2005	178,149
2006	166,115
2007	166,115
2008	166,115

**12. Pension Plan**

The organization maintains a defined contribution pension plan for the benefit of its employees. Contributions to the pension plan for the year ended December 31, 2003 are \$28,349 (2002 - \$10,387). As at December 31, 2003 the defined contribution pension plan is in the process of being terminated.



### **13. *Financial Instruments***

#### **Credit risk**

Credit risk arises from the potential that a counter-party will fail to perform its obligations. However, the organization limits their credit risk by investing in lower risk investments.

#### **Interest rate risk**

Interest rate risk is the risk to the organization's earnings that arises from fluctuations in the interest rates and the degree of volatility of those rates. The organization does not use derivative instruments to reduce its exposure to interest rate risk.

#### **Fair value**

The fair value of cash, investments, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to their short term to maturity.

## WINNIPEG ENTERPRISES CORPORATION

As Chairman of the Board of Winnipeg Enterprises Corporation (WEC) it is my pleasure to highlight the events, accomplishments and challenges of our fiscal year ending May 31, 2003. During this time, over 915,000 patrons enjoyed a range of quality entertainment and professional and amateur sports at the Winnipeg Arena and Canad Inns Stadium.

Since the announcement of the construction of the True North Sports Entertainment Complex and the future decommissioning of the Winnipeg Arena, WEC has been an organization in transition. We support the construction of the True North Sports Entertainment Complex and we have been working hard in ensuring a smooth transition of the Manitoba Moose Hockey Club and other events into their new home. The impending decommissioning of the Winnipeg Arena has also raised transition issues for our other principal tenant, the Winnipeg Football Club ("Football Club") as well as for our employees, suppliers and customers. We have been and will continue to work diligently to ensure that all transition issues are dealt with appropriately.

In addition to new lease arrangements entered into with the Football Club and the Manitoba Moose Hockey Club two years ago, which have allowed those organizations to receive enhanced returns from food and beverage, parking and advertising arrangements, WEC also contributed a further \$300,001 to the Football Club pursuant to the 2001 Football Club fundraising and stabilization plan. This year's payment has completed WEC's \$1,266,668 contribution obligation under the plan.

I am pleased to advise that WEC has succeeded in realizing an operating profit for the past year. The Board of Directors would like to thank WEC management and employees, as well as our tenants, suppliers and the citizens of Winnipeg for enabling us to achieve this.

### Canad Inns Stadium

This year, Canad Inns Stadium received a major facility improvement with the installation of a new artificial turf. In partnership with the Football Club, and the support of the three levels of government, the new AstroPlay Turf was installed. This state-of-the-art "in-fill" playing surface has greatly enhanced the appearance of the playing field as well as providing the highest level of professional sports surface for the players. Khari Jones' comment, "I think it's the best in the league, it's better than playing on grass", is indicative of the response the new turf has received from the players.

In addition to hosting home games for the Football Club, the following noteworthy events were also held at the Stadium:

- Manitoba Bisons University Football playoff game;
- The Winnipeg Rifles Junior football games;
- The Molson Snow Jam event, which featured several Canadian music artists in conjunction with a unique setting featuring BMX, Snowboard and Skateboard competitions taking place on a giant man made snow hill on August;
- Opening Ceremonies of the 2002 North American Indigenous Games; and
- Over 25 amateur football events including the Red Feather High School Football Tournament, High School Football regular and playoff games, Touch Football, and the Winnipeg High School Senior Bowl.

## WINNIPEG ENTERPRISES CORPORATION (continued)

### Winnipeg Arena

For the third time since 1978, the Winnipeg Arena again hosted an international curling event, the 2003 Ford World Curling Championships. WEC was pleased to have been a part of this premier curling event. In addition to attending to the operational needs of the Championships, WEC contributed in excess of \$115,000 to the organization committee to help provide a financial legacy for curling in Manitoba. The event attracted over 150,000 spectators who witnessed exciting curling and entertainment throughout the 10-day period. With the artificial turf about to be replaced, the Curling Championships were very successful in staging a massive 45,000 square foot tent structure, dubbed the "Extra End Pub", inside Canad Inns Stadium. The facility attracted thousands of spectators and volunteers each day as they enjoyed the impressive entertainers and music groups.

In addition to Moose games and the World Curling Championships, the Winnipeg Arena also hosted a variety of unique events, including:

- The Governor General's Award Ceremony for the P.P.C.L.I. Battle of Kapyong Korea, 1951;
- An exhibition Lacrosse game featuring the Toronto Rock and the Ottawa Rebel;
- Women's professional tennis featuring Anna Kournikova vs. Monica Seles;
- CIBC Run for the Cure;
- Stars on Ice;
- Disney on Ice;
- Old Timers Hockey;
- WWE Wrestling;
- Shrine Circus;
- Monster Truck Show;
- Sesame Street Live;
- Military Tattoo; and
- The Manitoba Moose Sports Carnival.

Each year music concerts are talked about special evenings. In the past year the Arena hosted a number of leading artists such as: Tim McGraw, Goo Goo Dolls, Meatloaf, Bob Dylan, Supertramp, Kenny Rogers, Martin Nievera, Bill Gaither, Cher, Neil Diamond, Great Big Sea, Toby Keith, Our Lady Peace, Avril Lavigne and the Doobie Brothers.

As has been the practice for a number of years, WEC supported amateur sports at the Arena with over 20 amateur events taking place. WEC was also proud to be a sponsor of the Winnipeg High School Hockey League programs and the Arena was the site of a number of games, including the WSHL Championships.



# WINNIPEG ENTERPRISES CORPORATION

## STATEMENT OF FINANCIAL POSITION

*As at May 31*

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash	\$ 354,434	\$ 115,964
Short-term investments	-	100,000
Accounts receivable	1,436,859	884,048
Prepaid expenses	<u>200,561</u>	<u>187,266</u>
	1,991,854	1,287,278
Long-term investments (Note 3)	1,087,318	1,112,542
Capital assets (Notes 4 and 5)	<u>13,952,444</u>	<u>14,695,209</u>
	<u>\$ 17,031,616</u>	<u>\$ 17,095,029</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current		
Accounts payable and accrued liabilities	\$ 1,157,850	\$ 738,062
Advance tickets	1,006,269	997,665
Bank debt (Note 5)	6,258,787	6,824,429
Unearned revenue	<u>168,629</u>	<u>113,624</u>
	<u>8,591,535</u>	<u>8,673,780</u>
Commitments and contingencies (Notes 1 and 6)		
<b>NET ASSETS</b>		
Net assets invested in property and equipment	8,867,659	9,128,931
Unrestricted net assets	<u>(427,578)</u>	<u>(707,682)</u>
	<u>8,440,081</u>	<u>8,421,249</u>
	<u>\$ 17,031,616</u>	<u>\$ 17,095,029</u>

*See accompanying notes*

# WINNIPEG ENTERPRISES CORPORATION

## NOTES TO STATEMENT OF FINANCIAL POSITION

May 31, 2003

### 1. *Entity Definition, Economic Dependence and Going Concern Considerations*

#### **Entity definition**

Winnipeg Enterprises Corporation (the "Corporation") is a not-for-profit organization established by the **Winnipeg Enterprises Corporation Incorporation Act** on July 26, 1952 under the laws of the Province of Manitoba. The Corporation's purpose is to carry on self-sustaining activities related primarily to sport and entertainment for the purpose of civic improvement, pleasure, or recreation for the community of Winnipeg. The Corporation owns and operates the Winnipeg arena and Canad Inns Stadium facilities, and conducts and promotes sporting and entertainment events, and other supportive business ventures.

#### **Economic dependence**

The Corporation's primary sources of revenue are generated from ongoing lease agreements and related services, transacted with the Winnipeg Football Club (the "WFC") and the Manitoba Moose Limited Partnership (the "Moose").

In addition, the terms of the Corporation's bank debt (Note 5) are contingent upon the security by way of a limited guarantee from the City of Winnipeg.

#### **Going concern considerations**

During 2001, a third party group of investors, known as the True North Project, announced its intentions to construct and operate a new sports arena in the City of Winnipeg. As at August 27, 2003, the True North Project is in the process of the construction of a new sports arena. As a result, the potential impact of the True North Project on the operations of the Corporation is not currently determinable.

This statement of financial position has been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes the Corporation will realize its assets and discharge its liabilities in the normal course of operations. The Corporation's ability to continue as a going concern is dependent on the outcome of the True North Project, the continued support of the City of Winnipeg for funding of the Corporation's ongoing operations and debt obligations, and the Corporation's ability to continue generating income from the ongoing lease agreements and related services with the Winnipeg Football Club, the Manitoba Moose and other third party users.

The outcome of these matters cannot be predicted at this time. This financial statement does not give effect to any adjustments to the classifications and carrying values of assets and liabilities that might be necessary should the Corporation be unable to continue its operations as a going concern.

### 2. *Significant Accounting Policies*

#### **Short-term investments**

Short-term investments are valued at the lower of cost or market. As at May 31, 2002, short-term investments consist of one-month guaranteed investment certificates and, as such, fair market value approximates cost.

## 2. *Significant Accounting Policies (continued)*

### **Long-term investments**

Long-term investments consist of income debentures and are recorded at the lower of cost less principal repayments received or receivable and net realizable value.

### **Capital assets**

Capital assets are recorded at cost less accumulated depreciation and external funding received that has been specified for costs of acquisition. Depreciation of property and equipment is provided for by the straight-line method at the following annual rates:

Building and improvements	2.5% per year
Equipment and small tools	10.0% per year
Computer hardware	20.0% per year

### **Advance tickets**

Advance tickets represent funds held on behalf of third party users of the Select-A-Seat ticket agency service.

### **Unearned revenue**

Unearned revenue is amortized over the terms of the various related contracts.

### **Financial instruments**

Financial instruments include cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, advance tickets, bank debt and an interest rate swap on a portion of the bank debt. Unless otherwise stated, the book value of the Corporation's financial assets and liabilities approximates their fair value. It is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments except as noted below.

The Corporation uses interest rate swap contracts to manage interest rate risk on certain floating rate bank debt. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest expense on a basis which matches the related fluctuations in the interest payments under floating rate bank debt.

### **Use of estimates**

The preparation of this statement of financial position in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from these estimates.

## 3. *Long-term Investments*

Long-term investments consist of 1,200 WFC Series A Income Debentures issued July 15, 1996 for a unit price of \$1,000. Each debenture is entitled to a pro-rata share of 25% of the net cash profit of the WFC and a 16 2/3% principal repayment of the net cash profit, if any, in any given fiscal year. The debentures are secured by a general security agreement, which is subordinate to the WFC existing bank debt.



### 3. Long-term Investments (continued)

The December 2001 and 2002 audited financial statements of the WFC presents net profits, a portion of which would be allocated to the Corporation in its fiscal 2002 and 2003 year ends based on the formula above. However, the Corporation agreed to waive the interest component in each year and defer the principal repayments to December 31, 2003. The Corporation's share of the principal repayments calculated under the terms of the debenture for 2002 and 2003 are presented as a reduction in long-term investments and have been included in accounts receivable.

### 4. Capital Assets

	2003			2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Building and improvements				
Canad Inns Stadium	\$ 10,653,629	\$ 3,616,603	\$ 7,037,026	\$ 7,297,788
Winnipeg Arena	10,177,414	4,426,988	5,750,426	6,002,456
Blue and Gold Room	146,615	33,311	113,304	116,969
	<u>20,977,658</u>	<u>8,076,902</u>	<u>12,900,756</u>	13,417,213
Equipment and small tools	2,249,533	1,304,901	944,632	1,125,591
Computer hardware	1,142,512	1,035,456	107,056	152,405
	<u>\$ 24,369,703</u>	<u>\$ 10,417,259</u>	<u>\$ 13,952,444</u>	<u>\$ 14,695,209</u>

During the year, the Corporation entered into a funding agreement to receive government assistance totalling \$2,600,000 towards the Canad Inns Stadium Artificial Turf Replacement Project. The Corporation received \$150,205 of government assistance during the year. As at May 31, 2003, \$135,642 of costs had been incurred towards the purchase of these capital assets. The assistance received was credited directly to the cost of the asset and the remaining unapplied balance as at May 31, 2003 has been used subsequent to year end.

### 5. Bank Debt

	2003	2002
Demand loan (credit facility B); bearing interest at 7.21% per annum until May 31, 2004, after which, bears interest at prime; repayable in blended monthly installments of \$31,634	\$ 2,420,594	\$ 2,617,753
Demand loan (credit facility C); bearing variable interest at Canadian Bankers' acceptance rates until May 31, 2014, after which bears interest at prime; repayable in quarterly installments of \$70,833 plus interest	3,116,667	3,400,000
Demand loan (credit facility D); bearing interest at 7.24% per annum until October 21, 2009, after which, bears interest at prime plus 0.25%; repayable in blended monthly installments of \$11,735; secured by a specific fixed charge on certain equipment	721,526	806,676
	<u>\$ 6,258,787</u>	<u>\$ 6,824,429</u>

**5. Bank Debt (continued)**

The Corporation has an additional credit facility agreement (credit facility A) with the Canadian Imperial Bank of Commerce (the "Bank") to borrow by means of an operating line to a maximum of \$1,500,000. The operating line is due on demand, bears interest at prime and is secured by an assignment of fire insurance. As at May 31, 2003, the balance of the operating line was nil.

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

At May 31, 2003, interest rates on \$3,116,667 of bank debt under credit facility C were fixed by means of an interest rate swap to August 29, 2003 at an average rate of 3.315%, inclusive of a stamping fee.

Unless demanded under the terms of the agreements above, scheduled principal repayments on bank debt over the next five years are estimated to be as follows:

2004	\$	586,917
2005		609,572
2006		633,919
2007		660,082
2008		688,197
Thereafter		<u>3,080,100</u>
	\$	<u>6,258,787</u>

**6. Commitments**

**a) Land lease**

The Corporation has entered into three separate land lease agreements with the City of Winnipeg for the stadium and arena expiring December 31, 2017. Lease payments under the terms of the separate agreements are \$1 per annum.

**b) Winnipeg Football Club**

Under a grant agreement signed April 18, 2000, the Corporation has committed to provide up to \$1,266,668 to the WFC by means of a staged grant, contingent upon the WFC meeting certain benchmark requirements based on external funding generated. In addition to amounts previously granted in 2000 and 2002 of \$500,000 by means of debt and interest forgiveness and a cash distribution of \$466,667 respectively; in fiscal 2003, the WFC met requirements under the terms of the agreement for grants totaling \$300,001. As at May 31, 2003, all amounts had been distributed in full, completing the Corporation's obligations under the terms of the grant agreement.

**c) Operating leases**

The Corporation has entered into various operating leases. The future minimum lease payments under these operating leases over the remaining terms are as follows:

2004	\$	117,677
2005		<u>6,602</u>
	\$	<u>124,279</u>

Certain of the operating leases are subject to renewal over the next five years under the terms of the various related contracts.

## **6. Commitments (continued)**

### **d) Food/banquet services agreement**

In 1996, the Corporation entered into a food/banquet services agreement ending September 30, 2002, with an option to renew for an additional six years. The agreement requires the Corporation to pay certain fees subject to certain terms and conditions. Under the terms of the agreement, the service provider has provided the Corporation with the use of certain equipment totaling \$750,000. If the Corporation does not renew its commitment under the terms of the extension option or terminates the agreement at any time, the Corporation is required to purchase the equipment at the remaining undepreciated balance of the \$750,000 amortized over 10 years using the straight-line method.

During the year the Corporation terminated its food/banquet services agreement. Subsequent to year end, in accordance with the terms of the agreement, the Corporation purchased equipment at the undepreciated cost of \$252,000 plus applicable sales tax.

Further, the Corporation entered into a food services agreement subsequent to year end with a new concessionaire to provide food and beverage concessions and catering services. The agreement terminates on the earlier of the date of the first public event held at the True North Entertainment Centre, or when the existing Winnipeg Arena ceases to operate; and for Canad Inns Stadium on December 31, 2004. The agreement requires the Corporation to pay certain fees subject to certain terms and conditions.

## **7. Comparative Figures**

Certain of the 2002 comparative figures have been reclassified to conform with the current year's presentation.



## **WINNIPEG HOUSING REHABILITATION CORPORATION (Incorporated Without Share Capital)**

Winnipeg Housing Rehabilitation Corporation is a municipal non-profit charitable organization established by The City of Winnipeg in 1977. Ten volunteer representatives who possess varying skills in the housing sector, both in the public and private sector, sit on the Corporation as directors.

The mandate of the Corporation is to provide safe and affordable housing for low to moderate income families in Winnipeg by rehabilitating existing structures. Since its inception, WHRC has built over 700 units. Today, WHRC continues to provide affordable and well maintained housing to households throughout Winnipeg through the management and operation of its housing portfolio. The delivery of this service, through the support of Canadian Mortgage and Housing Corporation and The Manitoba Housing Authority, and The City of Winnipeg, has and continues to provide significant socio-economic benefits for City of Winnipeg neighborhoods.

**WINNIPEG HOUSING REHABILITATION CORPORATION**  
**(Incorporated Without Share Capital)**

**CONSOLIDATED BALANCE SHEET**

*As at March 31*

	<u>2003</u>	<u>(Reclassified) 2002</u>
<b>ASSETS</b>		
Current		
Cash and short-term deposits	\$ 208,168	\$ 69,571
Accounts receivable (Note 2)	446,798	454,032
Overpaid surplus, receivable from MHRC (Note 5)	78,495	145,575
Marketable securities	40,000	40,000
Due from City of Winnipeg projects	3,036	-
Prepaid expenses	19,027	35,809
	<u>795,524</u>	<u>744,987</u>
Restricted cash and deposits		
Replacement reserve fund (Note 7)	2,296,037	2,139,876
Subsidy surplus fund, Sargent and Cumberland (Note 8)	76,209	50,576
Security deposit fund	131,485	123,746
	<u>2,503,731</u>	<u>2,314,198</u>
Housing inventory (Note 12)	1,832,582	1,037,128
Deferred charge (Note 3)	400,134	400,134
Fixed assets (Notes 2 and 4)	<u>31,740,341</u>	<u>32,296,438</u>
	<u>\$ 37,272,312</u>	<u>\$ 36,792,885</u>

**WINNIPEG HOUSING REHABILITATION CORPORATION**  
**(Incorporated Without Share Capital)**

**CONSOLIDATED BALANCE SHEET**

*As at March 31*

	2003	(Reclassified) 2002
	<u>2003</u>	<u>2002</u>
<b>LIABILITIES</b>		
Current		
Interim bank financing	\$ -	\$ 28,907
Short-term loans (Note 13)	113,000	-
Bank overdraft	845,903	458,265
Accounts payable and accrued liabilities	366,220	437,881
Accrued interest payable	651,856	656,192
RRAP payable	3,280	-
Current portion of long-term debt (Note 6)	586,216	549,192
Current portion of loans payable (Note 18)	87,500	43,000
Security deposits	122,983	121,662
Deferred revenue	85,951	117,503
	<u>2,862,909</u>	<u>2,412,602</u>
Loans payable (Note 18)	<u>515,667</u>	<u>95,667</u>
Tenant deposits on hand	<u>5,738</u>	<u>2,205</u>
Long-term debt (Note 6)	<u>31,889,518</u>	<u>32,475,102</u>
Deferred contributions (Notes 2 and 11)	<u>193,069</u>	<u>315,219</u>
Replacement reserves		
Replacement reserve - CMHC	622,442	575,014
Replacement reserve - MHRC	1,647,782	1,502,028
Subsidy reserve - Sargent and Cumberland (Note 8)	80,905	76,158
Rental Replacement Reserve (Note 2)	23,000	-
	<u>2,374,129</u>	<u>2,153,200</u>
<b>CAPITAL DEFICIENCY</b>		
Deficit	<u>(568,718)</u>	<u>(661,110)</u>
	<u>\$ 37,272,312</u>	<u>\$ 36,792,885</u>



**WINNIPEG HOUSING REHABILITATION CORPORATION**  
**(Incorporated Without Share Capital)**

**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**

*Year ended March 31*

	<u>2003</u>	<u>2002</u>
<b>REVENUE</b>		
Property management fees	\$ 268,434	\$ 216,459
The City of Winnipeg - operating grant	198,500	124,500
Homeownership training initiative grant	9,635	-
Interest and other income	30,088	14,826
Rental	<u>6,273,631</u>	<u>6,450,806</u>
	<u>6,780,288</u>	<u>6,806,591</u>
<b>EXPENDITURES</b>		
Advertising	2,455	1,487
Bank charges and other interest	4,991	5,616
Depreciation - office and equipment	13,916	13,198
Bad debts	-	2,699
Insurance	1,760	467
Office operations	72,922	62,599
Office salaries and benefits	331,073	237,836
Professional fees	12,141	5,209
Recruiting	1,294	2,899
Telephone	1,757	1,707
Homeownership training initiative	9,635	-
Rental	<u>6,311,505</u>	<u>6,593,067</u>
	<u>6,763,449</u>	<u>6,926,784</u>
Net surplus, before allocation	16,839	(120,193)
Allocation to subsidy reserve	<u>75,553</u>	<u>128,648</u>
Net surplus	<u>92,392</u>	<u>8,455</u>
Deficit, beginning of year	<u>(661,110)</u>	<u>(669,565)</u>
Deficit, end of year	<u>\$ (568,718)</u>	<u>\$ (661,110)</u>

**WINNIPEG HOUSING REHABILITATION CORPORATION**  
**(Incorporated Without Share Capital)**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

*Year ended March 31*

	2003	2002
<b>OPERATING ACTIVITIES</b>		
Cash flows from operations		
Grant from the City of Winnipeg	\$ 310,450	\$ 374,556
Grants from other sources	9,635	82,775
CMHC subsidy received	173,665	177,320
MHRC subsidy received	3,429,565	3,343,160
Rental revenue received	2,351,255	2,322,586
Other receipts	580,032	506,194
Cash paid for mortgage interest	(2,983,945)	(3,038,080)
Cash allocated to replacement reserve - CMHC	(75,174)	(75,174)
Cash allocated to replacement reserve - MHRC	(194,200)	(205,016)
Cash allocated to subsidy reserve	75,553	128,648
Cash paid to employees and suppliers	(3,036,860)	(3,671,632)
	<b>639,976</b>	<b>(54,663)</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in long-term debt (including current portion)	(548,560)	(497,985)
Increase in replacement reserve - CMHC	47,428	13,740
Increase in replacement reserve - MHRC	145,754	87,691
Increase in subsidy reserve - Sargent and Cumberland	4,747	24,586
Increase in Rental Replacement Reserve	23,000	-
Increase in deferred contributions	(122,150)	(106,205)
Increase in tenant deposits on hand	3,533	1,508
	<b>(446,248)</b>	<b>(476,665)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of office furniture and computer equipment	(6,376)	(15,401)
Housing inventory	(795,454)	47,371
Increase in marketable securities	-	(40,000)
Increase in loans payable (including current portion)	464,500	138,667
	<b>(337,330)</b>	<b>130,637</b>
Decrease in cash	(143,602)	(400,691)
Cash, beginning of year	1,896,597	2,297,288
Cash, end of year	\$ 1,752,995	\$ 1,896,597
<b>REPRESENTED BY:</b>		
Cash and short-term deposits	\$ 208,168	\$ 69,571
Bank overdraft	(845,903)	(458,265)
Restricted cash and deposits	2,503,731	2,314,198
Short-term loans	(113,000)	-
Interim bank financing	-	(28,907)
	<b>\$ 1,752,996</b>	<b>\$ 1,896,597</b>

# WINNIPEG HOUSING REHABILITATION CORPORATION (Incorporated Without Share Capital)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2003

### 1. *Description of the Organization*

The Corporation is engaged in providing assisted housing in the Core Area of Winnipeg. The Corporation is mandated by the City of Winnipeg, but receives assistance by way of government sponsorship through Canada Mortgage and Housing Corporation and Manitoba Housing and Renewal Corporation.

The Corporation's activities include a property management head office and the individual properties it manages, as well as a housing rehabilitation program.

The Corporation is not taxable under section 149 of the **Income Tax Act**.

These statements are the combined Winnipeg Housing Rehabilitation Corporation (WHRC) and Winnipeg Partners in Housing (WPH). WHRC controls WPH by virtue of appointing the board of directors. Individual and combined statements are available.

### 2. *Significant Accounting Policies*

The financial statements of the company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

#### a) **Fixed assets**

Fixed assets are recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. Government grants received to assist in the development of rental properties are applied against the capital cost of the respective property.

#### b) **Capitalization policy**

Interest expense, project costs and rental revenue, incurred prior to the determined interest adjustment date, is applied towards the capital cost of the property. Furniture and equipment costing less than \$250 is expensed. Options and feasibility studies are added to the cost of the acquired property or expensed if the property was not acquired. Any forgivable loans received are charged against the capital cost of the property.

#### c) **Depreciation policy**

Furniture and equipment	- straight-line over 5 years
Office building	- straight-line over 20 years
Rental properties	- an amount equal to the principal reduction of the mortgage, in accordance with the requirements of the organization's funding bodies
General	- a replacement reserve is maintained to provide for future asset replacement



## **2. Significant Accounting Policies (continued)**

### **d) Replacement reserve**

The replacement reserve account is established by an annual charge against operations as opposed to an appropriation of surplus. Interest earning and replacement costs are charged directly against the accumulated reserve.

### **e) Government assistance**

Government grants received to assist in the development of rental properties are applied against the capital cost of the respective properties.

### **f) Revenue recognition**

The organization follows the deferral method of recognizing revenue, in which contributions for a restricted purpose are deferred until the year in which the corresponding expenses are incurred.

The Corporation enters into rent to own agreements with its tenants, in Winnipeg Partners In Housing Inc., except for 288/290 Furby property. The intent is the tenant will purchase the home at an agreed upon price at the end of the lease, a portion of the rent paid goes towards reducing the purchase price. Rent is recognized as revenue when due, including any amount which would be applied to reducing the purchase price. Upon sale of the property the purchase price will be recorded net of rent paid reduction.

### **g) Restricted funds**

MHRC, CMHC, Spence, West Broadway, and William Whyte projects are restricted funds and are reported separately on the statement of operations. The balance sheets for the restricted funds for MHRC and CMHC are presented on individual financial statements.

### **h) Subsidy Reserve Fund**

With the Sargent and Cumberland properties, the corporation is allowed to keep \$500 per unit to be used for unforeseen expenses and operating losses. The surplus/deficit between the two properties are netted together and put into the Subsidy Reserve Fund.

### **i) Rental Replacement Reserve**

The Rental Replacement Reserve consists of annual operating surpluses for the Spence and West Broadway properties, in addition to an allowance of \$1,000 per property at start-up.

### **j) Housing Inventory**

Housing inventory is stated at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. No depreciation is being taken on the housing inventory. These buildings are either in the pre-renovation or renovation stages.

### 3. *Deferred Charge*

On April 1, 1994, the Corporation signed agreements with CMHC and MHRC, which provide additional support with respect to the 435 Sargent and 461 Cumberland properties. These agreements provide:

- (a) second mortgage financing to fund payment of the March 31, 1994 mortgage principal, interest and property tax arrears; and
- (b) enhanced mortgage repayment assistance and additional rent subsidies, the amounts of which have been set with the objective of having these properties operate profitably in the future.

The second mortgage loans provide for interest to accrue at 7.25% per annum, due March 31, 1999. CMHC has agreed to review the projects ability to repay the accrued interest at the maturity date. All CMHC properties were transferred to MHRC sponsorship on October 1, 1998. MHRC has subsequently forgiven the interest under the second mortgage provided that WHRC has met all its obligations under the agreements. The second mortgages will be extended to coincide with the expiry dates of the respective Operating Agreements, with no interest accruing in the interim.

### 4. *Fixed Assets*

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2003 Net Book Value</u>	<u>2002 Net Book Value</u>
Rental properties	\$ 36,469,648	\$ 4,796,523	\$ 31,673,125	\$ 32,221,683
Office building	44,614	20,075	24,539	26,770
Furniture and equipment	206,814	164,137	42,677	47,985
	<u>\$ 36,721,076</u>	<u>\$ 4,980,735</u>	<u>\$ 31,740,341</u>	<u>\$ 32,296,438</u>

Included in the cost of the rental properties is \$1,541,741 of interest charges (2002 - \$1,541,741).

### 5. *MHRC and CMHC Subsidies*

Pursuant to the current operating agreement with MHRC, and the agreement with CMHC which expired March 31, 1999, on a cumulative basis for each portfolio of properties, any excess funding provided to the Corporation is to be repaid. Where a cumulative deficiency exists for MHRC properties, the shortfall is the responsibility of MHRC subject to MHRC approval of project costs.

	<u>2003</u>	<u>2002</u>
Overpaid portion of surplus at March 31, MHRC	<u>\$ (78,495)</u>	<u>\$ (145,575)</u>

## 6. Long-Term Debt

Winnipeg Housing Rehabilitation Corporation finances the purchase of properties by way of first mortgage loans as follows:

Lender	Interest Rate	Maturity Dates	2003	2002
Royal Bank of Canada	5.60%-5.75%	2004	\$ 59,060	\$ 65,347
Canada Mortgage and Housing Corp.	5.30%-7.22%	2001-2005	5,971,063	6,142,189
Manitoba Housing and Renewal Corp.	6.625%-12.00%	2001-2005	26,445,611	26,816,758
			32,475,734	33,024,294
Less, current portion			586,216	549,192
			<u>\$ 31,889,518</u>	<u>\$ 32,475,102</u>

All mortgages are secured by a charge registered against the properties.

At March 31, 1994, the Corporation was in arrears on mortgages for two properties with a total indebtedness of \$5,667,873. The properties are 435 Sargent and 461 Cumberland. During the current fiscal year, the mortgage arrears were paid as described in note 3.

Several of the mortgages are due in the next fiscal period. These mortgages have not been shown as current as they are expected to be refinanced on similar terms when they come due.

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

2004	\$ 586,216
2005	639,470
2006	697,944
2007	748,347
2008	805,027

## 7. Replacement Reserve Fund CMHC/MHRC

Under the terms of the agreement with CMHC/MHRC the Replacement Reserve account has been credited in the amount of \$151,150 (2002 - \$239,186). These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC/MHRC from time to time. The funds in the account may only be used as approved by CMHC/MHRC. Withdrawals are credited to interest first and then principal. At year end, the funds in the reserve consisted of the following:

	2003	2002
Cash	\$ 11,485	\$ 191,394
Term deposits (3.75% - 8.63%)	257,375	38,406
Canadian Treasury Bills	2,024,812	1,910,076
Mutual Funds	2,365	-
	<u>\$ 2,296,037</u>	<u>\$ 2,139,876</u>

At March 31, 2003, the CMHC Replacement Reserve was overfunded by \$9,010 (2002 - \$23,405) and the MHRC Replacement Reserve was overfunded by \$181 (2002 - \$23,092 overfunded).



## 8. *National Housing Act Subsidy Reserve*

Under the terms of the agreement with Canada Mortgage and Housing Corporation related to all CMHC, excess federal assistance payments may be retained in a Subsidy Surplus Reserve up to a maximum of \$500 per unit plus interest. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interest first and then principal. When the project has attained the maximum of \$500 per unit, up to 10% excess assistance during a year may be transferred to other projects owned by the borrower requiring additional assistance if they are within the same municipality or area and are assisted under the same program.

Following the expiry of the agreement for the Sargent and Cumberland properties on March 31, 1999, the Corporation established a Subsidy Surplus Reserve fund under this agreement.

## 9. *CMHC - Subsidy*

The Corporation received federal assistance through CMHC to reduce mortgage interest from market rates to 2% in order to provide housing to low income individuals. The amount of assistance received during the year was as follows:

	<u>2003</u>	<u>2002</u>
Mortgage subsidy assistance	<u>\$ 173,665</u>	<u>\$ 177,320</u>

## 10. *Manitoba Housing Rent Supplement*

Two projects, 435 Sargent and 461 Cumberland receive monthly rent supplements from Manitoba Housing. These amounts are applied to the rent income charged to each tenant. During the current fiscal year, Winnipeg Housing Rehabilitation Corporation received \$96,175 for 435 Sargent and \$176,856 for 461 Cumberland.

## 11. *Spence Housing Rehabilitation Project*

In the prior year the Corporation undertook a project, funded by the City of Winnipeg, to acquire and rehabilitate houses in the Spence Neighbourhood. Of the funding received in the current year, the Corporation has spent \$90,912 to acquire and renovate houses. The funding has been recorded as a deferred contribution, and will be taken into income when the properties are sold and expenses incurred.

The following balances related to this project have been included in the Corporation's balance sheet:

	<u>2003</u>	<u>2002</u>
Bank (overdraft)	\$ 75,091	\$ (3,672)
Accounts receivable	2,246	16,602
Due from Wpg Partners in Housing	13,483	-
Housing inventory	90,912	265,509
Prepaid insurance	291	-
ACU - Investment	40,000	40,000
Accounts payable	(26,921)	(3,219)
Deferred contributions	(193,069)	(315,219)

The Spence Housing Rehabilitation Project acquired and renovated properties amounting to \$84,361 during the year. This amount has been inventoried for costing against future property sales.

## 12. Housing Inventory

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

	2003	2002
186 Salter St.	\$ 36,635	\$ -
204 Furby St.	75,659	96,274
206 Furby St.	82,908	104,822
226 Young St.	28,053	-
230 Young St.	67,449	38,323
240 Young St.	33,794	9,390
246 Young St.	80,615	85,689
250 Langside St.	99,619	89,243
254 Furby St.	10,876	8,667
256 Langside St.	66,933	85,254
258 Langside St.	4,961	24,878
259 Young St.	26,118	9,390
263 Langside St.	1,078	-
265 Langside St.	2,111	-
271 Furby St.	27,363	-
271 Langside St.	1,895	-
272 Langside St.	94,323	91,353
274 Langside St.	22,402	9,391
278 Langside St.	50,520	9,390
283 Furby St.	38,635	-
287 Furby St.	36,877	-
288/290 Furby St.	42,198	66,332
290 Langside St.	361	-
296 Langside St.	109,631	105,142
297 Furby St.	6,013	-
366 Langside St.	25,357	-
368 Langside St.	(7,104)	-
370 Langside St.	1,024	-
377 Langside St.	(6,812)	-
415 Sherbrook St	95,723	870
417 Sherbrook St	8,442	-
441 Furby St.	34,383	-
481 Young St.	-	101,098
493 Langside St.	86,374	63,658
497 Langside St.	47,319	6,917
511 Young St.	4,189	-
513 Langside St.	85,755	64,822
517 Langside St.	55,955	435
541 Langside St.	74,260	60,069
557 Langside St.	-	104,970
558 Langside St.	57,232	824
564 Langside St.	122,470	140,264
566 Langside St.	76,678	56,574
574 Langside St.	-	59,441
578 Langside St.	68,693	59,156
592 Langside St.	104,350	98,707
614 Langside St.	15,834	-
663 Furby St.	10,360	-
Less grants not allocated to specific properties	-	(535,000)
Less intercompany transactions	(174,927)	(79,215)
	<u>\$ 1,832,582</u>	<u>\$ 1,037,128</u>

## 12. Housing Inventory (continued)

The grants received in 2002 were not allocated to individual properties. During 2003 the grants were allocated to the individual properties but not on a retroactive basis.

## 13. Short-Term Loans

	<u>2003</u>	<u>2002</u>
Cham Holdings Inc.		
<u>Property</u>		
283 Furby St	\$ 34,100	\$ -
287 Furby St, no interest is payable if loan is paid by June 30, 2003. Interest after June 30, 2003 will be accrued at prime plus 3%	32,900	-
226 Young St	25,500	-
271 Furby St, no interest is payable if loan is paid by April 15, 2003. Interest after April 15, 2003 will be accrued at prime plus 3%	<u>20,500</u>	<u>-</u>
	<u>\$ 113,000</u>	<u>\$ -</u>

Subsequent to the year end, the purchase of 226 Young St., with the mortgage of \$25,500 fell through. The loan for 271 Furby was not paid at April 15, 2003.

## 14. Properties Without Income Statement

The following properties had no revenues or expenses to report:

### Spence I

366 Langside St.  
368 Langside St.  
370 Langside St.  
377 Langside St.  
417 Sherbrook St.  
511 Young St.  
614 Langside St.

### Spence II

415 Sherbrook St.  
419 Sherbrook St.  
517 Langside St.  
558 Langside St.

### West Broadway

254 Young St.  
258 Langside St.  
290 Langside St.  
226 Young St.



#### 14. *Properties Without Income Statement (continued)*

North End  
William Whyte  
186 Salter St.

Winnipeg Partners In Housing  
240 Young St.  
263 Langside St.  
265 Langside St.  
271 Langside St.

#### 15. *Deferred Revenue*

	<u>2003</u>	<u>2002</u>
City of Winnipeg grant	\$ 83,337	\$ 117,503
Homeownership Training Initiative Grant	<u>2,614</u>	<u>-</u>
	<u>\$ 85,951</u>	<u>\$ 117,503</u>

#### 16. *Replacement Reserve*

During 2004, the property at 288/290 Furby will have a Replacement Reserve established to cover future major expenditures.

#### 17. *Bank Indebtedness*

WHRC has demand line of credit with the Assiniboine Credit Union for the West Broadway properties and is secured by a general security agreement on the West Broadway properties. The total amount of the line of credit is \$850,000, of which \$242,798 is still available at March 31, 2003.

WHRC has a demand line of credit with the Assiniboine Credit Union for the Spence projects and is secured by a general security agreement on the Spence Projects properties. The total amount of the line of credit is \$700,000, of which \$172,472 is still available at March 31, 2003.

WHRC has a demand line of credit with the Assiniboine Credit Union for the Spence Infill Housing/Phase II and is unsecured. The total amount of the line of credit is \$250,000, of which \$250,000 is still available at March 31, 2003. Subsequent to year end, the line is secured by a general security agreement on the Spence Infill Housing Phase II properties.

WHRC has a demand line of credit with the Assiniboine Credit Union for Land Assembly and is secured by the assignment of a Credit Union deposit for \$150,000. The total amount of the line of credit is \$300,000, of which \$300,000 is still available at March 31, 2003.

WPH has First Commercial Mortgage with the Assiniboine Credit Union, in the amount of \$500,000. The maximum to be advanced is 75% of the appraised value of the property. All mortgages advanced are to be CMHC Insured. The mortgage is to be repaid over 5 years at a rate of 6.45%. As of March 31, 2003, WPH had not taken any advances. The mortgage is secured by a registered general assignment of rents and leases over each property to be registered as a first charge in the Personal Property Registry and Winnipeg Land Titles Office.

WPH has another First Commercial Mortgage with the Assiniboine Credit Union, in the amount of \$150,000. The maximum to be advanced is 75% of the appraised value of the property. As of March 31, 2003, WPH had not taken any advances. The mortgage is secured by a registered general assignment of rents and leases over each property to be registered as a first charge in the Personal Property Registry and Winnipeg Land Titles Office. The mortgage is to be repaid over 5 years at the following rates:

**17. Bank Indebtedness (continued)**

Year 1	4.90%
Year 2	5.60%
Year 3	6.00%
Year 4	6.20%
Year 5	6.45%
Demand	variable

WPH has another First Commercial Mortgage with the Assiniboine Credit Union, in the amount of \$550,000, which has yet to be released. The maximum to be advanced is 75% of the appraised value of the property. All mortgages advanced are to be CMHC insured. The mortgage is to be repaid over 5 years at a rate of 6.45%. As of March 31, 2003, WPH had not taken any advances. The mortgage is secured by a registered assignment of rents and leases over each property to be registered as a first charge in the Personal Property Registry and Winnipeg Land Titles Office.

**18. Loans Payable**

	<u>2003</u>	<u>2002</u>
Neighborhood Housing Assistance (NHA)	\$ 241,667	\$ 138,667
Residential Rehabilitation Assistance Program (RRAP)		
Forgivable loans bearing interest at 8.25%. The loans will be forgiven on July 1, 2017	136,000	-
Forgivable loans bearing interest at 8.45%. The loans will be forgiven on January 31, 2018	17,800	-
Forgivable loans bearing interest at 6.88%. The loans will be forgiven on August 1, 2017	68,400	-
Forgivable loans bearing interest at 8.13%. The loans will be forgiven on August 1, 2017	17,200	-
Forgivable loans bearing interest at 8.15%. The loans will be forgiven on September 1, 2017	34,400	-
Forgivable loans bearing interest at 8.13%. The loans will be forgiven on June 1, 2018	18,000	-
Forgivable loans bearing interest at 8.63%. The loans will be forgiven on December 31, 2017	35,200	-
Forgivable loans bearing interest at 8.75%. The loans will be forgiven on November 30, 2017	17,500	-
Forgivable loans bearing interest at 6.88%. The loans will be forgiven on July 1, 2017	17,000	-
	<u>603,167</u>	<u>138,667</u>
Less, current portion	<u>(87,500)</u>	<u>(43,000)</u>
	<u>\$ 515,667</u>	<u>\$ 95,667</u>

**18. Loans Payable (continued)**

RRAP

WHRC has entered into various forgivable loans with Manitoba Family Services and Housing under the Residential Rehabilitation Assistance Program. These loans are forgivable over a fifteen year period on a pro-rated, monthly basis beginning the first day of the month following final disbursement of funds. In the event a housing unit is sold and meets the following conditions:

- . the property is sold at or below fair market value
- . the property is sold to an income qualified purchaser
- . the property is held for 5 years under the RRAP agreement and
- . the purchaser of the property must agree to provide MHRC with acceptable loan security.

MHRC agrees to release the WHRC from their loan obligation.

These loans will be forgiven as follows:

2004	\$	25,200
2005		25,200
2006		25,200
2007		25,200
2008		25,200
2009 and beyond		235,700

NHA

WHRC has entered into various forgivable loans with Manitoba Family Services and Housing under the Neighborhood Housing Assistance. These loans are forgivable over a fifteen year period on a pro-rated monthly basis commencing from the date of execution of the agreement. In the event a housing unit is sold or otherwise transferred before the entire loan is forgiven, any unforgiven portion shall become payable to MHRC.

These loans will be forgiven as follows:

2004	\$	62,000
2005		62,000
2006		62,000
2007		40,667
2008		15,000

**19. Comparative Figures**

Comparative figures have been reclassified to conform with current year's presentation.

**20. Rental Purchase Agreement**

Rental income is being recorded at gross rent value during the year. If the tenant purchases the property after the five year period, a portion of the rental payments will be applied towards the purchase price. The resulting reduction of surplus in the amounts equal to the principal reduction of the mortgage payments had the tenant purchased these homes upon the commencement of the rental contracts.

If all tenants purchase the properties, the total amount of the mortgage that would reduce the surplus at the end of the 5 year period is \$470,791. During the year, the amount in surplus is \$7,339 that could be applied to the purchase price if all tenants purchase the properties.





## CENTREVENTURE DEVELOPMENT CORPORATION

Highlights of Downtown Development during 2003 included major project announcements such as:

- **Arena Construction** - ground breaking Apr. 16, naming of MTS Centre was announced Dec. 11th;
- **Provencher Bridge** - construction completed Nov. 4th, Esplanade Riel announcement Oct. 22nd;
- **Canadian Human Rights Museum** - government support announced Apr. 17th;
- **Manitoba Hydro Building** - Portage and Carlton location announced Dec. 19th;
- **Forks Hotel** - approval announced Feb. 26th;
- **Millennium Library** - construction commenced Nov. 6th;
- **Portage and Main** - design competition to remove pedestrian barriers announced Nov. 1st

In addition to its varying roles with the above-captioned, CentreVenture was also involved in a number of smaller scale projects, including:

- Actively marketing numerous City properties under our Asset Agreement, including an edgy banner campaign that has attracted significant attention; 620 Main St. and the West side of Main St. between Logan and Henry Ave. were redeveloped and are now back on municipal tax rolls.
- Three residential projects were approved to use up full 2003 allocation of \$710,000 under the Downtown Heritage Tax Credit Program with private investment into these developments projected to exceed \$4,000,000.
- Capital grants approved under the Gail Parvin Hammerquist program included funding for the Western Canada Pictorial Index and the Burton Cummings Theatre for the Performing Arts.
- Loans totaling \$370,000 were advanced, leveraging over \$5,000,000 in private sector investment.

CentreVenture have been leaders in downtown advocacy and facilitation, including involvement in the Getting Down to Business Initiative, Affordable Housing Initiative, and of course the Waterfront Drive development, among numerous other infrastructure projects, studies, and undertakings.

# CENTREVENTURE DEVELOPMENT CORPORATION

## STATEMENT OF FINANCIAL POSITION

*As at December 31*

	2003	2002
<b>ASSETS</b>		
Current		
Cash and bank	\$ 969,942	\$ 636,456
Short-term investments (Market value of \$3,587,926)	3,587,926	-
Accounts receivable	325,428	343,557
Prepaid expenses	19,387	17,376
Developments in progress (Note 7)	382,351	350,000
Current portion of mortgages receivable (Note 2)	21,482	47,548
Current portion of loans receivable (Note 3)	93,965	123,199
	<b>5,400,481</b>	<b>1,518,136</b>
Mortgages receivable (Note 2)	347,923	461,232
Loans receivable (Note 3)	890,263	889,255
Long-term investments (Note 4)	3,000,000	3,000,000
Capital assets (Note 6)	1,376,425	1,436,104
	<b>\$ 11,015,092</b>	<b>\$ 7,304,727</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 14,909	\$ 21,310
Deferred grant revenue (Note 9)	402,173	352,175
	<b>417,082</b>	<b>373,485</b>
Commitments and contingencies (Note 10)		
<b>NET ASSETS</b>		
Invested in capital assets	1,376,426	1,436,104
General	766,050	266,779
Urban Development Bank	8,455,534	5,228,359
	<b>10,598,010</b>	<b>6,931,242</b>
	<b>\$ 11,015,092</b>	<b>\$ 7,304,727</b>

*The accompanying summary of significant accounting policies and notes are an integral part of these financial statements*



# CENTREVENTURE DEVELOPMENT CORPORATION

## STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	Invested in Capital Assets	General	Urban Development Bank - Regular Operations	Urban Development Bank - Special Operations	2003	2002
Balance, beginning of year	\$ 1,436,104	\$ 266,779	\$ 5,228,359	\$ -	\$ 6,931,242	\$ 4,550,937
Excess of revenue over expenditures for the year	-	499,271	3,227,175	-	3,726,446	1,138,725
Capital expenditures for the year	118,656	-	-	-	118,656	2,712,844
Amortization of capital assets	(67,139)	-	-	-	(67,139)	(68,133)
Writedown of building (Notes 6 and 11)	(111,195)	-	-	-	(111,195)	(1,403,131)
Balance, end of year	<u>\$ 1,376,426</u>	<u>\$ 766,050</u>	<u>\$ 8,455,534</u>	<u>\$ -</u>	<u>\$ 10,598,010</u>	<u>\$ 6,931,242</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

# CENTREVENTURE DEVELOPMENT CORPORATION

## STATEMENT OF OPERATIONS - GENERAL

*For the years ended December 31*

	2003 Actual	2003 Budget	2002 Actual
<b>REVENUES</b>			
Rental income	\$ 154,661	\$ 147,389	\$ 84,001
City of Winnipeg - Grant	250,000	250,000	250,000
Interest	422,146	507,745	337,972
	826,807	905,134	671,973
<b>EXPENDITURES</b>			
Administration	199,521	298,813	264,311
Office	57,209	49,915	45,372
Professional fees	55,450	95,700	69,709
Insurance	7,727	7,500	6,668
Capital costs	7,461	18,000	9,711
Bank charges and interest	168	240	9,423
	327,536	470,168	405,194
<b>EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR</b>	<b>\$ 499,271</b>	<b>\$ 434,966</b>	<b>\$ 266,779</b>

*The accompanying summary of significant accounting policies and notes are an integral part of these financial statements*

# CENTREVENTURE DEVELOPMENT CORPORATION

## STATEMENT OF OPERATIONS - URBAN DEVELOPMENT BANK

*For the years ended December 31*

	2003 Actuals			2003	2002
	Urban Development	Special Projects	Actual Total	Budget	Actual
<b>REVENUE</b>					
Sale of properties	\$ 19,000	\$ -	\$ 19,000	\$ 826,933	\$ 275,000
Grants					
City of Winnipeg	3,500,000	418,476	3,918,476	3,508,000	3,500,000
Special projects	-	-	-	-	285,000
Province of Manitoba	250,000	-	250,000	250,000	250,000
Application fees	-	-	-	-	11,000
City of Winnipeg	18,083	-	18,083	-	-
	3,787,083	418,476	4,205,559	4,584,933	4,321,000
Opening deferred revenue	-	352,175	352,175	-	279,595
Ending deferred revenue	-	(402,173)	(402,173)	-	(352,175)
	3,787,083	368,478	4,155,561	4,584,933	4,248,420
<b>EXPENSES</b>					
Special project costs	-	368,478	368,478	310,000	212,420
Professional fees	193,514	-	193,514	36,000	66,935
Provision for loan losses	150,000	-	150,000	-	-
Capital costs	111,196	-	111,196	-	2,732,257
Project development	94,372	-	94,372	138,252	126,616
Cost of properties	10,826	-	10,826	227,540	163,246
Writedown of property	-	-	-	50,000	75,000
	559,908	368,478	928,386	761,792	3,376,474
<b>EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR</b>	<b>\$ 3,227,175</b>	<b>\$ -</b>	<b>\$ 3,227,175</b>	<b>\$ 3,823,141</b>	<b>\$ 871,946</b>

*The accompanying summary of significant accounting policies and notes are an integral part of these financial statements*



# CENTREVENTURE DEVELOPMENT CORPORATION

## STATEMENT OF CASH FLOWS

*For the years ended December 31*

	2003	2002
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>		
Excess of revenues over expenditures for year	<b>\$ 3,726,446</b>	<b>\$ 1,138,725</b>
Changes in non-cash working capital balances		
Short-term investments	(3,587,926)	581,868
Accounts receivable	18,129	(313,109)
Prepaid expenses	(2,011)	(12,857)
Developments in progress	(32,351)	(105,000)
Accounts payable and accrued liabilities	(6,401)	(196,725)
Deferred grant revenue	49,998	72,580
Deposit on purchase of property	-	(25,000)
	<b>(3,560,562)</b>	<b>1,757</b>
	<b>165,884</b>	<b>1,140,482</b>
<b><i>CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES</i></b>		
Purchase of capital assets	(117,516)	(2,496,137)
Advances (net of repayments) of mortgages receivable	139,375	(23,516)
Advances (net of repayments) of loans receivable	28,226	(149,184)
Lease inducements	-	25,417
Capital contributions received	117,517	2,703,844
	<b>167,602</b>	<b>60,424</b>
Increase in cash and cash equivalents during the year	<b>333,486</b>	<b>1,200,906</b>
Cash and cash equivalents, beginning of year	<b>636,456</b>	<b>(564,450)</b>
Cash and cash equivalents, end of year	<b>\$ 969,942</b>	<b>\$ 636,456</b>

*The accompanying summary of significant accounting policies and notes are an integral part of these financial statements*

# CENTREVENTURE DEVELOPMENT CORPORATION

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*As at December 31, 2003*

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

### **Basis of Financial Presentation**

The corporation records its financial transactions on the deferred fund accounting basis as follows:

#### General

General includes transactions related, general operations and administration of the corporation.

#### Urban Development Bank

The Urban Development Bank represents funds intended to enable CentreVenture Development Corporation to facilitate economic development initiatives with private and non-profit sectors and provide creative financing options to encourage downtown investment.

The Urban Development Bank funds, as defined by Board policy, shall not be used to fund the day-to-day operations of the corporation. The Urban Development Bank is funded by various levels of government and other funding organizations.

### **Revenue recognition**

The corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### **Financial instruments**

The corporation's financial instruments consist of cash, accounts receivable, short-term and long-term investments, mortgages and loans receivable and accounts payable. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

### **Property held for resale**

Property held for resale is recorded at the lower of cost or net realizable value.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Capital assets

Purchased capital assets are recorded at cost. Amortization is provided for on a straight-line basis in accordance with the following terms:

Buildings	25 years
Computer equipment	3 years
Furniture and fixtures	5 years

The acquisition costs of capital assets which are funded from capital financing sources are charged to operations and matched with the applicable revenue sources in the year of expenditure. These expenditures are recorded as an addition to assets with a corresponding increase in Invested in Capital Assets.

### Short and Long-term investments

Short and long-term investments are recorded at cost.

### Special projects (restricted funding arrangements)

In addition to regular operating revenues, CentreVenture Development Corporation receives grants from time to time for specific programs or initiatives to be administered by the corporation which are accounted for through the Urban Development Bank. The following special funding arrangements were on going during the year:

#### Province of Manitoba:

##### North Main Economic Development Program Grant

The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

#### City of Winnipeg:

##### Downtown Housing Demonstration Project Grant

The purpose of this grant is to promote new downtown residential development either through conversion of existing buildings or through new construction.

#### Economic Development Winnipeg:

##### Waterfront Drive Project Grant

The purpose of this grant is to support the development of a marketing and economic development strategy for the Waterfront Drive project.

#### City of Winnipeg:

##### Downtown Housing Strategy

The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

#### City of Winnipeg:

##### Waterpark Study

The purpose of this grant is to support the study of the viability of a waterpark for downtown Winnipeg.



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **City of Winnipeg:**

#### **Heritage Initiative Capital Grant**

The purpose of this grant is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

### **City of Winnipeg:**

#### **329 Donald Street**

The purpose of this grant is to fund costs incurred in respect of demolition and site preparation for 329 Donald Street.

# CENTREVENTURE DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

### 1. Nature and purpose of the corporation

CentreVenture Development Corporation is a non-profit organization incorporated without share capital under the laws of the Province of Manitoba on July 9, 1999. The goal of the corporation is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg.

### 2. Mortgages Receivable

Mortgages receivable on various properties in downtown Winnipeg with interest rates ranging from 5.25% to 8.5%, terms ranging from demand to maturity of 5 years, monthly payments applied to interest first, compounded semi-annually not in advance, and secured by first recourse to the related underlying property

Accrued interest receivable

Allowance for doubtful loans

Less current portion of mortgages receivable

	<u>2003</u>	<u>2002</u>
	\$ 437,921	\$ 508,780
	6,484	-
	<u>(75,000)</u>	<u>-</u>
	369,405	508,780
	<u>(21,482)</u>	<u>(47,548)</u>
	<u>\$ 347,923</u>	<u>\$ 461,232</u>

### 3. Loans Receivable

Loans receivable from various borrowers with interest rates ranging from 4.75% to 9%, maximum term to maturity of 10 years, payable in monthly interest payments plus annual principal payment, and secured by an assignment of Downtown Heritage Conservation tax credits or promissory notes

Accrued interest receivable

Allowance for doubtful loans (Note 5)

Less current portion

	<u>2003</u>	<u>2002</u>
	\$ 1,036,678	\$ 1,012,454
	22,550	-
	<u>(75,000)</u>	<u>-</u>
	984,228	1,012,454
	<u>(93,965)</u>	<u>(123,199)</u>
	<u>\$ 890,263</u>	<u>\$ 889,255</u>

### 4. Long-term Investments

National Bank term deposit, 6.6% interest paid monthly, matures July 2005

	<u>2003</u>	<u>2002</u>
	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

**5. Allowance for Doubtful Loans**

During the year it was deemed prudent to record an allowance against the mortgage and loan receivables (Notes 2 and 3). The balance consists of both specific and general provisions, to offset any future losses or collection issues. The balance consists of the following:

	<u>2003</u>	<u>2002</u>
Assignment of HTC - City of Winnipeg	\$ 32,000	\$ -
Assignment of WDA - City of Winnipeg	50,000	-
General provision	<u>68,000</u>	<u>-</u>
	<u>\$ 150,000</u>	<u>\$ -</u>

**6. Capital Assets**

	<u>2003</u>			<u>2002</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Buildings	\$ 1,485,000	\$ 118,800	\$ 1,366,200	\$ 1,425,600
Computer equipment	43,396	35,945	7,451	7,325
Furniture and fixtures	<u>7,720</u>	<u>4,946</u>	<u>2,774</u>	<u>3,179</u>
	<u>\$ 1,536,116</u>	<u>\$ 159,691</u>	<u>\$ 1,376,425</u>	<u>\$ 1,436,104</u>

During the year it was determined that the buildings had a net realizable value of approximately \$1,485,000, therefore it has been written down accordingly. This value was determined using a cash flow valuation methodology based on leaseable property.

**7. Developments in Progress**

Under the asset agreement between CentreVenture Development Corporation and the City of Winnipeg, the corporation has the option to acquire an interest in surplus City-owned properties and heritage buildings within the downtown area for consideration of one dollar.

**8. Bank Indebtedness**

The line of credit is due on demand and bears interest at the National Bank of Canada's prime rate, calculated daily and payable monthly. The limit of the facility is five million dollars (of which no greater than \$300,000 can be used for letters of credit and loan guarantees). The line of credit is secured by a three million dollar term deposit and 65% of assigned City of Winnipeg Downtown Heritage Conservation tax credit receivables. This line of credit is unutilized at December 31, 2003.



## 9. *Deferred Grant Revenue*

Deferred grant revenue represents restricted funding received from various sources for the operation of the project to which the funding relates.

Deferred grant revenue for projects during the year is as follows:

	<u>2003</u>	<u>2002</u>
Downtown Housing Demonstration Project	\$ -	\$ 325,000
Waterfront Drive Project	17,097	24,575
North Main Economic Development Program	2,600	2,600
Downtown Housing Strategy	220,000	-
Waterpark Study	5,000	-
Heritage Initiative Capital Fund	107,476	-
329 Donald Street	50,000	-
	<u>\$ 402,173</u>	<u>\$ 352,175</u>

## 10. *Commitments and Contingencies*

The corporation has made commitments for grants that had not been disbursed by the December 31, 2003 year end in the approximate amount of \$130,000.

The corporation has made commitments for loans that had not been disbursed by the December 31, 2003 year end in the approximate amount of \$780,000.

## 11. *Correction of Prior Period Error*

It has been determined that a specific purpose building that was constructed in 2002 had a market value considerably lower than the construction cost. Since this condition existed from the day of completion of the project, a writedown to the net realizable value of approximately \$1,485,000 should have been recorded in 2002. This value was determined using a cash flow valuation methodology based on leaseable property. In addition, amortization on this building should have been calculated on this balance commencing in 2002. This change has resulted in a reduction of the building cost in 2002 of \$1,403,131 as well as an equal reduction to Invested in Capital Assets. The related amortization charge to Invested in Capital Assets is reduced by \$56,125, as is the accumulated amortization against the building.

The changes are as follows:

	<u>Buildings</u>	<u>Building Accumulated Amortization</u>	<u>Invested in Capital Assets</u>
Balance, as previously reported	\$ 2,888,131	\$ 115,525	\$ 2,783,110
Correction of error	(1,403,131)	(56,125)	(1,347,006)
Opening balance, revised	<u>\$ 1,485,000</u>	<u>\$ 59,400</u>	<u>\$ 1,436,104</u>

# CENTREVENTURE DEVELOPMENT CORPORATION

## SCHEDULE OF SPECIAL PROJECTS

For the year ended December 31, 2003

	<u>Downtown Housing Demonstration</u>	<u>Waterfront Drive</u>	<u>North Main Economic Development</u>	<u>Downtown Housing Strategy</u>	<u>Waterpark Study</u>	<u>Heritage Initiative Capital</u>	<u>329 Donald Street</u>	<u>Total</u>
<b>REVENUE</b>								
City of Winnipeg	\$ -	\$ -	\$ -	\$ 250,000	\$ 5,000	\$ 113,476	\$ 50,000	\$ 418,476
Add: Opening deferred revenue	325,000	24,575	2,600	-	-	-	-	352,175
Less: Ending deferred revenue	-	(17,097)	(2,600)	(220,000)	(5,000)	(107,476)	(50,000)	(402,173)
	<u>325,000</u>	<u>7,478</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>368,478</u>
<b>EXPENDITURES</b>								
Residential grants	325,000	-	-	-	-	-	-	325,000
Development of Waterfront design	-	7,478	-	-	-	-	-	7,478
Consulting	-	-	-	30,000	-	6,000	-	36,000
	<u>325,000</u>	<u>7,478</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>368,478</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>





# WINNIPEG PUBLIC LIBRARY BOARD

## BALANCE SHEET

*As at December 31*

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Cash	\$ 37,552	\$ 41,869
Guaranteed investment certificates	20,000	20,000
Prepaid expenses	139	-
	<u>\$ 57,691</u>	<u>\$ 61,869</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,847	\$ 2,004
<b>Surplus</b>		
Surplus	<u>55,844</u>	<u>59,865</u>
	<u>\$ 57,691</u>	<u>\$ 61,869</u>

*See accompanying notes*

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF REVENUE AND EXPENSES AND SURPLUS

Year ended December 31

	<u>2003</u>	<u>2002</u>
<b>REVENUE</b>		
City of Winnipeg grant	\$ 62,939	\$ 61,696
Interest	252	204
Other	252	-
	<u>63,443</u>	<u>61,900</u>
<b>EXPENSES</b>		
Administrative assistant	23,252	21,053
Advisory studies and reports	21,316	-
Donation, Winnipeg Library Foundation	2,500	10,000
Meetings	3,404	4,115
Membership dues, conference and travel	3,042	8,838
Office and sundry	1,979	4,100
Professional fees	671	588
Sponsorship	11,300	13,580
	<u>67,464</u>	<u>62,274</u>
Total Expenses	67,464	62,274
Revenue (under) expenses	(4,021)	(374)
<b>SURPLUS, BEGINNING OF YEAR</b>	<u>59,865</u>	<u>60,239</u>
<b>SURPLUS, END OF YEAR</b>	<u>\$ 55,844</u>	<u>\$ 59,865</u>

See accompanying notes

# WINNIPEG PUBLIC LIBRARY BOARD

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003*

### **1. Purpose and organization**

The Winnipeg Public Library Board (the Board) was organized to provide the City of Winnipeg with guidance with respect to improving the City's library system.

The Board was created by a by-law of the City of Winnipeg. As a not-for-profit organization, the Winnipeg Public Library Board is a tax-exempt organization under the provisions of the **Income Tax Act**.

### **2. Statement of Cash Flows**

A statement of cash flows has not been prepared as the cash flows are evident from the balance sheet and the statement of revenue and expenses and surplus.







Other  
2003 DETAILED FINANCIAL STATEMENTS





# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

His Worship the Mayor  
and Members of the Council  
of the City of Winnipeg

Ladies and Gentlemen:

Pursuant to the requirements of **The City of Winnipeg Charter**, the Sinking Fund Trustees submit the 2003 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported net income of \$5,406,000 for the year ended December 31, 2003.

The Trustees appropriated \$7,362,000 of the accumulated surplus towards levy commutations, leaving a balance of surplus in the amount of \$5,144,000 as at December 31, 2003.

The rates of interest earned by the Fund for the years 1994 to 2003 are shown below:

1994.....	8.29%	1999.....	7.10%
1995.....	8.51%	2000.....	7.43%
1996.....	8.30%	2001.....	6.91%
1997.....	7.77%	2002.....	6.61%
1998.....	7.07%	2003.....	6.02%

Changes in the sinking fund reserve during 2003 are summarized as follows. The total reserve for retirement of debenture debt decreased to \$386,086,000 as at December 31, 2003 (2002 - \$521,825,000) of which \$138,459,000 represents full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt and \$7,062,000 represents full funding of all future serial debt repayments on the Winnipeg Hydro portion of the City's serial debt, as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

Sinking funds are invested in securities with maturities which closely match the current position of related reserves.

Respectfully submitted,

**J. S. McCALLUM**

Chairman

**R. P. GANNON**

Trustee

**A. S. PENMAN**

Trustee

**J. L. FERRIER**

Trustee

**L. J. DERRY**

Secretary



**THE SINKING FUND TRUSTEES  
OF THE CITY OF WINNIPEG**

**STATEMENT OF FINANCIAL POSITION**

*As at December 31*

*(in thousands of dollars)*

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Investment in bonds and debentures (Schedule 1)	\$ 394,401	\$ 508,766
Call loans - City of Winnipeg	1,851	17,668
Accrued interest receivable	5,241	6,225
Accounts receivable - sundry	-	22
Cash	4	6
	<u>\$ 401,497</u>	<u>\$ 532,687</u>
<b>LIABILITIES, RESERVE AND SURPLUS</b>		
Accounts payable - City of Winnipeg	\$ 7,362	\$ -
Accrued interest payable (Note 4)	2,893	3,744
Accrued liabilities	12	18
	<u>10,267</u>	<u>3,762</u>
Reserve for retirement of debenture debt (Note 5)	386,086	521,825
Surplus	5,144	7,100
	<u>\$ 401,497</u>	<u>\$ 532,687</u>

*See accompanying notes and schedules to the financial statements*

**THE SINKING FUND TRUSTEES  
OF THE CITY OF WINNIPEG**

**STATEMENT OF INCOME**

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

	<u>2003</u>	<u>2002</u>
Interest income (Schedule 2)	\$ 29,148	\$ 31,193
Interest requirements - debenture debt reserves	(12,746)	(18,084)
Interest requirements - Manitoba Hydro bonds (Note 4)	<u>(11,156)</u>	<u>(6,303)</u>
Excess of interest earned over requirements	5,246	6,806
Net gain (loss) on disposal of investments	<u>282</u>	<u>(2,441)</u>
	5,528	4,365
Administration expenses	<u>122</u>	<u>124</u>
Net income for the year	<u>\$ 5,406</u>	<u>\$ 4,241</u>

*See accompanying notes and schedules to the financial statements*

**THE SINKING FUND TRUSTEES  
OF THE CITY OF WINNIPEG**

**STATEMENT OF SURPLUS**

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

	<u>2003</u>	<u>2002</u>
Balance, beginning of year	\$ 7,100	\$ 4,355
Add:		
Net income for the year	<u>5,406</u>	<u>4,241</u>
	<u>12,506</u>	<u>8,596</u>
Deduct:		
Appropriations for City of Winnipeg - provision for levies	7,362	-
Transfer to Manitoba Hydro	<u>-</u>	<u>1,496</u>
	<u>7,362</u>	<u>1,496</u>
Balance, end of year	<u><u>\$ 5,144</u></u>	<u><u>\$ 7,100</u></u>

*See accompanying notes and schedules to the financial statements*



**THE SINKING FUND TRUSTEES  
OF THE CITY OF WINNIPEG**

**STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT**

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

	<u>2003</u>	<u>2002</u>
Balance, beginning of year	\$ 521,825	\$ 401,510
Add:		
Installments - City of Winnipeg	27,274	34,641
Interest credited - debenture debt reserves	12,746	18,084
Installments - Manitoba Hydro bonds	-	166,828
	<u>561,845</u>	<u>621,063</u>
Deduct:		
Applied to debt redemption (Note 5)	175,759	57,600
Transfer to Manitoba Hydro	-	41,638
	<u>175,759</u>	<u>99,238</u>
Balance, end of year	<u>\$ 386,086</u>	<u>\$ 521,825</u>

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003  
(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 refinancings of these debentures.

### **2. Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows :

#### **a) Bonds and debentures**

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

#### **b) Bond residues and coupons**

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

#### **c) Statement of cash flows**

A statement of cash flows has not been prepared as its presentation would not provide additional information.

### **3. 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, 2003 was 6.02% (2002 - 6.61%).

### 3. *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, 2003 are as follows:

<b>Term To Maturity</b>	<b>Par Value</b>	<b>Book Value</b>
Less than one year	\$ 102,936	\$ 101,360
Two to five years	52,453	55,313
Greater than five years	253,884	237,728
	<u>\$ 409,273</u>	<u>\$ 394,401</u>

#### b) **Credit risk**

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Fund.

At December 31, 2003 the Fund's maximum credit risk exposure at fair market value was \$419,648.

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

### 4. *Purchase of Winnipeg Hydro by Manitoba Hydro*

Manitoba Hydro purchased Winnipeg Hydro from The City of Winnipeg on September 3, 2002. In accordance with the Asset Purchase Agreement between The City of Winnipeg and Manitoba Hydro and **The Purchase of Winnipeg Hydro Act**, a statute of the Legislature of the Province of Manitoba, the Sinking Fund is required to :

- a) Hold the Manitoba Hydro Electric Board bonds issued by Manitoba Hydro to the City in connection with the Winnipeg Hydro portion of the City's debt. The bonds were issued for the purpose of enabling the City to repay the Winnipeg Hydro portion of the City's debt, and were issued with identical terms and conditions as to par value, interest and date of maturity as the Winnipeg Hydro portion of the City's debt. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity.

The book value of the Manitoba Hydro Electric Board bonds as at December 31, 2003 amounted to \$145,521 (2002 - \$165,828).

- b) Pay all principal and interest received on the Manitoba Hydro bonds to the City for the payment of principal and interest on the Winnipeg Hydro portion of the City's debt.

As the receipt of the Manitoba Hydro bonds represents full funding of all future Sinking Fund installments and interest related to the Winnipeg Hydro portion of the City's Sinking Fund debt, no further amounts are required to be levied and contributed to the Sinking Fund in respect of this portion of the debt.



5. *Reserve for Retirement of Debenture Debt*

Amounts applied to debt redemption on the statement for retirement of debenture debt are as follows :

	Principal		
	Hydro Portion	Other Purposes	Total
<b>Sinking Fund Debt :</b>			
By-laws 4783/88	\$ 10,000	\$ 90,000	\$ 100,000
6163/93	9,000	65,451	74,451
<b>Serial Debt :</b>			
By-laws 7054/97	250	-	250
6897/96	1,058	-	1,058
	<u>\$ 20,308</u>	<u>\$ 155,451</u>	<u>\$ 175,759</u>

As at December 31, 2003 the reserve for retirement of debenture debt is allocated as follows :

	Hydro Portion	Other Purposes	Total
Sinking Fund Debt	\$ 138,459	\$ 240,565	\$ 379,024
Serial Debt	7,062	-	7,062
	<u>\$ 145,521</u>	<u>\$ 240,565</u>	<u>\$ 386,086</u>

As at December 31, 2003, the reserve for retirement of debenture debt includes \$138,459 (2002 - \$157,458) representing full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt and \$7,062 (2002 - \$8,370) representing full funding of all future serial debt repayments on the Winnipeg Hydro portion of the City's serial debt, as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

**THE SINKING FUND TRUSTEES  
OF THE CITY OF WINNIPEG**

Schedule 1

**SCHEDULE OF INVESTMENTS**

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

	2003				2002		
	Par Value	Market Value	%	Book Value	%	Book Value	%
<b><i>Investment in bonds and debentures</i></b>							
Government of Canada and Government of Canada guaranteed	\$ 38,000	\$ 40,042	10	\$ 37,567	10	\$ 69,985	14
Provincial and Provincial guaranteed (Notes 4 and 5)	217,021	219,005	53	216,380	55	200,631	39
City of Winnipeg	76,106	85,833	21	79,401	20	82,211	16
	<u>\$ 331,127</u>	<u>344,880</u>	<u>84</u>	<u>333,348</u>	<u>85</u>	<u>352,827</u>	<u>69</u>
<b><i>Bond residues and coupons</i></b>							
Government of Canada		50,881	12	46,253	12	126,899	25
Provincial		16,795	4	14,800	3	29,040	6
		<u>\$ 412,556</u>	<u>100</u>	<u>\$ 394,401</u>	<u>100</u>	<u>\$ 508,766</u>	<u>100</u>

**THE SINKING FUND TRUSTEES  
OF THE CITY OF WINNIPEG**

**Schedule 2**

**SCHEDULE OF INTEREST INCOME**

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

	<u>2003</u>	<u>2002</u>
Interest on bonds and debentures	\$ 25,807	\$ 21,772
Income accrued - bond residues and coupons	5,049	11,038
Call fund interest	573	627
Securities lending income	22	21
Net bond premium amortization	<u>(2,303)</u>	<u>(2,265)</u>
	<u>\$ 29,148</u>	<u>\$ 31,193</u>





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

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

*As at December 31*

	<u>2003</u> (000's)	<u>2002</u> (000's)
<b>ASSETS</b>		
Investments, at market		
Bonds and debentures	\$ 289,382	\$ 270,460
Canadian equities	253,414	202,040
Foreign equities	133,392	119,910
Cash and short-term deposits	16,483	27,639
Venture capital	34	64
	<u>692,705</u>	<u>620,113</u>
Accrued interest	1,283	1,199
Accounts receivable	8	-
Due from the Winnipeg Civic Employees' Pension Plan	4	-
	<u>694,000</u>	<u>621,312</u>
<b>LIABILITIES</b>		
Accounts payable	1,250	902
Due to the Winnipeg Civic Employees' Pension Plan	-	57
	<u>1,250</u>	<u>959</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<u>\$ 692,750</u>	<u>\$ 620,353</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS COMPRISED OF:</b>		
Main Account - General Component	\$ 635,993	\$ 620,353
Main Account - Contribution Stabilization Reserve	51,801	-
Plan Members' Account	4,956	-
	<u>\$ 692,750</u>	<u>\$ 620,353</u>

*See accompanying notes to the financial statements*

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

**MAIN ACCOUNT - GENERAL COMPONENT  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

*For the years ended December 31*

	<u>2003</u> (000's)	<u>2002</u> (000's)
<b><i>INCREASE IN ASSETS</i></b>		
Contributions		
The City of Winnipeg	\$ 6,175	\$ 3,843
Employees	6,271	6,271
Reciprocal transfers from other plans	48	227
	<u>12,494</u>	<u>10,341</u>
Transfer from Contribution Stabilization Reserve (Note 1)	7,101	-
Investment income (Note 6)	23,735	24,945
Current period change in market value of investments	54,238	(58,583)
	<u>97,568</u>	<u>(23,297)</u>
<b><i>DECREASE IN ASSETS</i></b>		
Pension payments	23,488	21,895
Lump sum benefits	461	642
Administrative expenses (Note 7)	638	595
Investment management and custodial fees	774	861
Transfer of surplus to Contribution Stabilization Reserve (Notes 3 and 4)	52,210	-
Transfer of surplus to Plan Members' Account (Note 1)	4,357	-
	<u>81,928</u>	<u>23,993</u>
Increase (decrease) in net assets	15,640	(47,290)
Net assets available for benefits at beginning of year	<u>620,353</u>	<u>667,643</u>
Net assets available for benefits at end of year	<u>\$ 635,993</u>	<u>\$ 620,353</u>

*See accompanying notes to the financial statements*



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

**MAIN ACCOUNT - CONTRIBUTION STABILIZATION RESERVE  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

*For the years ended December 31*

	<u>2003</u> <u>(000's)</u>	<u>2002</u> <u>(000's)</u>
<b><i>INCREASE IN ASSETS</i></b>		
Transfer of surplus from Main Account- General Component (Notes 3 and 4)	\$ 52,210	\$ -
Investment income (Note 6)	2,057	-
Current period change in market value of investments	4,702	-
	<u>58,969</u>	<u>-</u>
Total increase in assets		
<b><i>DECREASE IN ASSETS</i></b>		
Investment management and custodial fees	67	-
Transfer to Main Account - General Component (Note 1)	7,101	-
	<u>7,168</u>	<u>-</u>
Total decrease in assets		
Increase in net assets	51,801	-
Net assets available for benefits at beginning of year	<u>-</u>	<u>-</u>
Net assets available for benefits at end of year	<u>\$ 51,801</u>	<u>\$ -</u>

*See accompanying notes to the financial statements*

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

**PLAN MEMBERS' ACCOUNT  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

*For the years ended December 31*

	<u>2003</u> <u>(000's)</u>	<u>2002</u> <u>(000's)</u>
<b><i>INCREASE IN ASSETS</i></b>		
Transfer of surplus from Main Account - General Component (Note 1)	\$ 4,357	\$ -
Investment income (Note 6)	184	-
Current period change in market value of investments	421	-
	<hr/>	<hr/>
Total increase in assets	4,962	-
	<hr/>	<hr/>
<b><i>DECREASE IN ASSETS</i></b>		
Investment management and custodial fees	6	-
	<hr/>	<hr/>
Total decrease in assets	6	-
	<hr/>	<hr/>
Increase in net assets	4,956	-
	<hr/>	<hr/>
Net assets available for benefits at beginning of year	-	-
	<hr/>	<hr/>
Net assets available for benefits at end of year	<u>\$ 4,956</u>	<u>\$ -</u>

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG WINNIPEG POLICE PENSION PLAN

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

### 1. Description of Plan

#### a) General

The Winnipeg Police Pension Plan is a defined benefit pension plan, which provides pension benefits for City of Winnipeg police officers. All police officers are required to become members of the Plan at the commencement of their employment.

#### b) Financial Structure

The Winnipeg Police Pension Plan is comprised of three Accounts, namely the Main Account (which has two components being the General Component and the Contribution Stabilization Reserve), the Plan Members' Account and the City Account.

##### i. Main Account - General Component

All benefits of the Pension Plan are paid from the Main Account - General Component.

Police officers contribute 8% of earnings to the Main Account. If the Contribution Stabilization Reserve is sufficient to provide a transfer to fund the difference between the current service cost of benefits accrued during the year and matching employee and City contributions, then the City matches the employee contributions during the year.

If the Contribution Stabilization Reserve is insufficient to provide the above transfer, then the City contributes the balance of the cost of non-indexed benefits in excess of employee contributions of 7% (towards non-indexed benefits), plus 1% of earnings for cost-of-living adjustments. This amount will be actuarially calculated by the Plan's Actuary.

##### ii. Main Account - Contribution Stabilization Reserve

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account - General Component, the portion of the current service cost of benefits that exceeds the Plan members' and the City's matching contributions. The reserve is also intended to finance the future service cost related to this shortfall of matching contributions for the existing members.

##### iii. Plan Members' Account

In order to ensure that the Plan members will receive a benefit equal to the benefit received by the City through the contribution holidays that it took in 2001 and 2002, the Plan Members' Account was established effective January 1, 2003 with an initial balance equal to the amount of the City's contribution holidays adjusted for investment income up to December 31, 2002.

The Plan Members' Account will be credited with the share of future actuarial surpluses that are allocated to the Plan Members in accordance with the surplus and risk sharing agreement (Note 3).



**1. Description of Plan (continued)**

**b) Financial Structure (continued)**

**iv. City Account**

The financial structure provides for a City Account which will be credited with the share of future actuarial surpluses that are allocated to the City in accordance with the surplus and risk sharing agreement. To date, no actuarial surplus has been credited to the City Account.

**c) Retirement pensions**

The Plan provides for retirement at or after age 55 or following completion of 25 years of credited service. The Plan allows early retirement at age 50 or completion of at least 20 years of credited service subject to an early retirement pension reduction. The pension formula prior to age 65 is equal to 2% of the average earnings in the 60 consecutive months in which the earnings are highest ("Best Average Earnings") for each year of credited service. The pension formula after age 65 is equal to 1.4% of Best Average Canada Pension Plan earnings plus 2% of Best Average Non-Canada Pension Plan earnings for each year of credited service.

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the Plan text, which level is currently 75% of the percentage change in the Consumer Price Index for Canada.

**d) Disability pensions**

An officer, who has completed at least fifteen years of credited service, who has become totally disabled and is under the regular and personal care of a medical practitioner may apply for a disability pension.

**e) Survivor's benefits**

The Plan provides survivor pensions or lump sum benefits on death prior to retirement. On death after retirement, eligible surviving spouses normally receive 66 2/3% of the member's pension.

**f) Termination benefits**

Upon application and subject to vesting and locking-in provisions, deferred pensions or equivalent lump sum benefits are payable when an officer terminates employment with the City.

**g) Variation in benefits**

The surplus and risk sharing agreement provides that the rate of cost-of-living adjustment to pensions may be increased using funds available in the Plan Members' Account or may be reduced in the event of a funding deficiency.

**h) Administration**

The Plan is administered by the Winnipeg Police Pension Board which is comprised of two members appointed by the Winnipeg Police Association, one member appointed by the Winnipeg Police Senior Officers' Association and four members appointed by City Council. The Plan is registered under the **Pension Benefits Act of Manitoba** and the **Income Tax Act**.

## **2. *Summary of Significant Accounting Policies***

### **a) *Basis of presentation***

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

### **b) *Investments***

Investments are stated at market value. Equity investments are valued using published closing market prices. Fixed income investments are valued using published mid-market quotations. The market value of the venture capital investments has been determined by the venture capital funds.

Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis. The Plan's investment income, current period change in market value of investments and investment management and custodial fees are allocated between the Accounts and Reserves based on the average balance of each Account and Reserve during the year.

### **c) *Foreign currency translation***

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

### **d) *Use of estimates***

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

## **3. *Surplus and Risk Sharing Agreement***

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

Future actuarial surpluses, over and above those required to fully fund future cost-of-living adjustments to pensions at 75% of the Canadian inflation rate and a Contribution Stabilization Reserve sufficient to maintain the City's contribution rate at 8% of pensionable earnings, will be shared equally between the City and the Plan members. The City will remain responsible for ensuring the financial solvency of the Plan with respect to benefits other than cost-of-living adjustments to pensions.

The necessary transfers between the accounts were made on January 1, 2003 to give effect to the new financial structure arising from the new surplus and risk sharing agreement.

#### 4. *Obligations for Pension Benefits*

An actuarial valuation of the Plan was made as of January 1, 2003 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Winnipeg Police Pension Board for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6% per year, inflation of 2% per year and general increases in pay of 3.5% per year. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at January 1, 2003, disclosed that prior to the application of the surplus and risk sharing agreement, the Plan's former Regular Pension Benefits Account had an actuarial surplus of \$100,792,000. The surplus was fully allocated in 2003, including an allocation to the Contribution Stabilization Reserve in the amount of \$52,210,000.

The results of the January 1, 2003 actuarial valuation were extrapolated to December 31, 2003 to determine the actuarial present value of accrued pension benefits disclosed below. The actuarial present value of the Plan's accrued benefits as at December 31, 2003, and the principal components of changes in actuarial present values during the year, were as follows:

	<u>2003</u> (000's)
Actuarial present value of accrued benefits, beginning of year	\$ 621,684
Interest accrued on benefits	37,151
Benefits accrued	19,596
Benefits paid	(23,949)
Administrative expenses paid	<u>(638)</u>
Actuarial present value of accrued benefits, end of year	<u>\$ 653,844</u>

The assets available to finance the Program's accrued benefits are those allocated to the Main Account - General Component. To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets of the Main Account - General Component was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years. The value of the assets of the Main Account - General Component on an actuarial basis were:

	<u>2003</u> (000's)
Market value of net assets available for benefits	\$ 635,993
Market value changes not reflected in actuarial value of assets	<u>13,389</u>
Actuarial value of net assets available for benefits	<u>\$ 649,382</u>



## 5. Interest Rate, Credit, Foreign Currency and Market Risk

### a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income and actuarial liabilities. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

The Plan's actuarial liabilities are exposed to the long term expectation of rates of return on investments as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term real rate of return which may result in higher contribution rates required to meet pension obligations.

The Plan has approximately 44% of its assets invested in fixed income securities as at December 31, 2003. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related market values of investments in bonds and debentures held by the Plan at December 31, 2003 are as follows:

<u>Term to Maturity</u>	<u>Market Value (000's)</u>
Less than one year	\$ 18,613
Two to five years	111,068
Greater than five years	<u>159,701</u>
	<u>\$ 289,382</u>

### b) Credit Risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan. At December 31, 2003, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled \$307,145,000. The Plan's concentration of credit risk as at December 31, 2003, related to bonds and debentures, is categorized amongst the following types of issuers:

<u>Type of Issuer</u>	<u>2003 Market Value (000's)</u>	<u>2002 Market Value (000's)</u>
Government of Canada and Government of Canada guaranteed	\$ 143,363	\$ 143,249
Provincial and Provincial guaranteed	112,939	106,267
Canadian cities, municipalities, and other institutions	4,582	4,833
Corporations	<u>28,498</u>	<u>16,111</u>
	<u>\$ 289,382</u>	<u>\$ 270,460</u>

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

b) **Credit Risk (continued)**

The Plan's investments include debentures and short-term deposits with the City of Winnipeg which have an aggregate market value of \$21,033,000 at December 31, 2003.

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

c) **Foreign Currency Risk**

Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure. As at December 31, 2003, the Plan's net foreign currency exposure after giving effect to the net related hedge was as follows:

<u>Exposure</u>	2003		2002	
	<u>Gross Exposure</u> (000's)	<u>Net Foreign Currency Hedge</u> (000's)	<u>Net Exposure</u> (000's)	<u>Net Exposure</u> (000's)
United States	\$ 82,371	\$ 4	\$ 82,367	\$ 76,464
Euro	15,760	53	15,707	14,559
United Kingdom	10,910	-	10,910	8,507
Japan	8,574	259	8,315	6,874
Switzerland	2,878	453	2,425	3,153
Hong Kong	1,605	-	1,605	1,298
Other	11,294	602	10,692	9,050
	<u>\$ 133,392</u>	<u>\$ 1,371</u>	<u>\$ 132,021</u>	<u>\$ 119,905</u>

d) **Market Risk**

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.

6. *Investment Income*

	2003 (000's)	2002 (000's)
Bonds and debentures	\$ 18,362	\$ 17,694
Canadian equities	5,101	4,577
Foreign equities	1,658	1,828
Cash and short-term deposits	855	846
	<u>\$ 25,976</u>	<u>\$ 24,945</u>
Allocated to:		
Main Account - General Component	\$ 23,735	\$ 24,945
Main Account - Contribution Stabilization Reserve	2,057	-
Plan Members' Account	184	-
	<u>\$ 25,976</u>	<u>\$ 24,945</u>

7. *Administrative Expenses*

	<u>2003</u> <u>(000's)</u>	<u>2002</u> <u>(000's)</u>
Winnipeg Civic Employees' Benefits Program	\$ 354	\$ 379
Actuarial fees	237	154
Seminars	7	5
Consulting fees	30	36
Legal fees	3	14
General	7	7
	<u>\$ 638</u>	<u>\$ 595</u>

8. *Comparative Figures*

The comparative figures presented in these financial statements reflect the combination of the former Regular Pension Benefits Account and the Supplementary Pension Benefits Account (Note 3).





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

**STATEMENT OF NET ASSETS**

*As at December 31*

	<u>2003</u> <u>(000's)</u>	<u>2002</u> <u>(000's)</u>
<b>ASSETS</b>		
Investments, at market		
Bonds and debentures	\$ 34,626	\$ 32,474
Canadian equities	37,668	29,820
Foreign equities	19,610	17,655
Short-term deposits	4,175	5,544
	<u>96,079</u>	<u>85,493</u>
Accrued interest	291	314
Accounts receivable	2	1
	<u>96,372</u>	<u>85,808</u>
<b>LIABILITIES</b>		
Accounts payable	408	476
Due to the Winnipeg Civic Employees' Pension Plan	5	11
	<u>413</u>	<u>487</u>
<b>NET ASSETS</b>	<u>\$ 95,959</u>	<u>\$ 85,321</u>
<b>NET ASSETS COMPRISED OF:</b>		
Civic Employees' (Note 3)	\$ 80,039	\$ 71,558
Police Employees' (Note 3)	15,920	13,763
	<u>\$ 95,959</u>	<u>\$ 85,321</u>

*See accompanying notes to the financial statements*

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

**STATEMENT OF CHANGES IN NET ASSETS**

*For the years ended December 31*

	<u>2003</u> (000's)	<u>2002</u> (000's)
<b><i>INCREASE IN ASSETS</i></b>		
Contributions		
City of Winnipeg and participating employers	\$ 838	\$ 801
Employees - basic	841	805
Employees - optional	366	346
Pensioners	131	122
	<hr/>	<hr/>
	2,176	2,074
Investment income	2,609	2,663
Current period change in market value of investments	7,621	(7,773)
	<hr/>	<hr/>
Total increase (decrease) in assets	12,406	(3,036)
<b><i>DECREASE IN ASSETS</i></b>		
Administration	90	83
Actuarial fees	54	60
Benefit payments	3,500	3,282
Investment management fees	107	113
Risk premium and taxes	174	171
	<hr/>	<hr/>
Total decrease in assets	3,925	3,709
	<hr/>	<hr/>
Increase (decrease) in net assets	8,481	(6,745)
	<hr/>	<hr/>
Net assets at beginning of year	71,558	78,303
	<hr/>	<hr/>
Net assets at end of year	\$ 80,039	\$ 71,558
	<hr/> <hr/>	<hr/> <hr/>

*See accompanying notes to the financial statements*



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

**STATEMENT OF CHANGES IN NET ASSETS**

*For the years ended December 31*

	<u>2003</u> (000's)	<u>2002</u> (000's)
<b><i>INCREASE IN ASSETS</i></b>		
Contributions		
The City of Winnipeg	\$ 155	\$ 154
Employees - basic	155	155
Employees - optional	34	38
Pensioners	<u>26</u>	<u>24</u>
	370	371
Investment income	516	502
Current period change in market value of investments	<u>1,466</u>	<u>(1,450)</u>
Total increase (decrease) in assets	<u>2,352</u>	<u>(577)</u>
<b><i>DECREASE IN ASSETS</i></b>		
Administration	16	15
Actuarial fees	52	28
Benefit payments	85	188
Investment management fees	21	21
Risk premium and taxes	<u>21</u>	<u>22</u>
Total decrease in assets	<u>195</u>	<u>274</u>
Increase (decrease) in net assets	2,157	(851)
Net assets at beginning of year	<u>13,763</u>	<u>14,614</u>
Net assets at end of year	<u>\$ 15,920</u>	<u>\$ 13,763</u>

*See accompanying notes to the financial statements*

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

**NOTES TO THE FINANCIAL STATEMENTS**

*As at December 31, 2003*

**1. Description of the Plan**

The City of Winnipeg Employees' Group Life Insurance Plan is comprised of two plans, the Civic Employees' Group Life Insurance Plan for employees of the City of Winnipeg and certain other employers which participate in the Plan and the Police Employees' Group Life Insurance Plan for police employees of the City.

**a) Civic Employees' Group Life Insurance Plan**

All employees are eligible to join the Plan commencing on their date of employment. All new members of the Civic Employees' Pension Plan must become members of the group life plan. Plan members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. Plan members and the City share equally in the cost of the basic life insurance coverage. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

Effective January 1, 2003, the Plan is administered by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund). Prior to this date, the Employee Benefits Board was responsible for the administration of the Plan. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

**b) Police Employees' Group Life Insurance Plan**

All police employees are required to become members of the Plan commencing on their date of employment. Police employees are covered for basic life insurance coverage of two times annual salary. Optional coverage can be purchased under the Plan to increase coverage up to four times annual salary. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance. Coverage on the life of disabled members will continue at the same salary multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Winnipeg Police Pension Board is responsible for the administration of the Plan. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

**2. Summary of Significant Accounting Policies**

**a) Basis of presentation**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Plans as separate financial reporting entities, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plans for the fiscal period.

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

### **b) Investments**

Investments are stated at market value. The fixed income investments are valued using published mid-market quotations. Equity investments are valued using published closing market prices. Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

### **c) Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

### **d) Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

## **3. Net Assets**

The Civic and Police Employees' Group Life Insurance Plans' net assets represent reserves to finance a portion of the cost of the post-retirement insurance expected to be provided in the future to the members of the Plans.

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

An actuarial valuation of the Civic Employees' Group Life Insurance Plan was made as of December 31, 2001 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Board of Trustees for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6% per year and general increases in pay of 3.5% per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2001 disclosed an actuarial surplus of \$28,856,000 and a contingency reserve in the amount of \$4,495,000.



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

The results of the December 31, 2001 actuarial valuation were extrapolated to December 31, 2003 to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed below. The actuarial present value of post-retirement insurance benefits for the Civic Employees' Group Life Insurance Plan as at December 31, and the principal components of changes in actuarial present values during the year, were as follows:

	<u>2003</u> <u>(000's)</u>	<u>2002</u> <u>(000's)</u>
Actuarial present value of accrued benefits, beginning of year	\$ 47,670	\$ 43,966
Experience gains and losses and other factors	-	(790)
Changes in actuarial assumptions	-	1,776
Interest accrued on benefits	2,843	2,697
Benefits accrued	1,878	1,790
Benefits paid	<u>(2,467)</u>	<u>(1,769)</u>
Actuarial present value of accrued benefits, end of year	<u>\$ 49,924</u>	<u>\$ 47,670</u>

To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The value of the assets of the Civic Employees' Group Life Insurance Plan on an actuarial basis were:

	<u>2003</u> <u>(000's)</u>	<u>2002</u> <u>(000's)</u>
Market value of net assets available for benefits	\$ 80,039	\$ 71,558
Market value changes not reflected in actuarial value of assets	<u>1,874</u>	<u>7,901</u>
Actuarial value of net assets available for benefits	<u>\$ 81,913</u>	<u>\$ 79,459</u>

**5. *Obligation for Post-Retirement Basic Life Insurance Benefits - Police Employees' Group Life Insurance Plan***

An actuarial valuation of the Police Employees' Group Life Insurance Plan was made as of December 31, 2002 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Winnipeg Police Pension Board for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions.

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

Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6% per year and general increases in pay of 3.5% per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2002 disclosed an actuarial surplus of \$5,101,000 and a contingency reserve in the amount of \$925,000.

The results of the December 31, 2002 actuarial valuation were extrapolated to December 31, 2003 to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed below. The actuarial present value of post-retirement insurance benefits for the Police Employees' Group Life Insurance Plan as at December 31, and the principal components of changes in actuarial present values during the year, were as follows:

	<u>2003</u> (000's)	<u>2002</u> (000's)
Actuarial present value of accrued benefits, beginning of year	\$ 8,846	\$ 8,074
Experience gains and losses and other factors	(29)	-
Changes in actuarial assumptions	436	-
Interest accrued on benefits	563	493
Benefits accrued	359	340
Benefits paid	<u>(96)</u>	<u>(61)</u>
Actuarial present value of accrued benefits, end of year	<u>\$ 10,079</u>	<u>\$ 8,846</u>

To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The value of the assets of the Police Employees' Group Life Insurance Plan on an actuarial basis were:

	<u>2003</u> (000's)	<u>2002</u> (000's)
Market value of net assets available for benefits	\$ 15,920	\$ 13,763
Market value changes not reflected in actuarial value of assets	<u>355</u>	<u>1,516</u>
Actuarial value of net assets available for benefits	<u>\$ 16,275</u>	<u>\$ 15,279</u>

## 6. Interest Rate, Credit, Foreign Currency and Market Risk

### a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income, and actuarial liabilities. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

The Plan's actuarial liabilities are exposed to the long term expectation of rates of return on investments as well as expectations of 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 the Plan's obligations.

The Plan has approximately 41% of its assets invested in fixed income securities as at December 31, 2003. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related market values of investments in bonds and debentures held by the Plan at December 31, 2003 are as follows:

<u>Term to Maturity</u>	<u>Market Value</u> (000's)
Less than one year	\$ 1,016
Two to five years	3,692
Greater than five years	<u>29,918</u>
	<u>\$ 34,626</u>

### b) Credit Risk

Credit risk arises from the potential for an invested to fail or to default on its contractual obligations to the Plan. At December 31, 2003, the Plan's credit risk exposure relates to bonds and debentures, accrued interest and short-term deposits totaling \$39,092,403. The Plan's concentration of credit risk as at December 31, 2003, related to bonds and debentures, is categorized amongst the following types of issuers:

<u>Type of Issuer</u>	<u>2003 Market Value</u> (000's)	<u>2002 Market Value</u> (000's)
Government of Canada and Government of Canada guaranteed	\$ 29,272	\$ 31,865
Provincial and Provincial guaranteed	1,973	-
Corporations	<u>3,381</u>	<u>609</u>
	<u>\$ 34,626</u>	<u>\$ 32,474</u>



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

b) **Credit Risk (continued)**

The Plan's investments include short-term deposits with the City of Winnipeg which have a market value of \$3,681,852 at December 31, 2003.

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

c) **Foreign Currency Risk**

Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure. As at December 31, 2003, the Plan's net foreign currency exposure after giving effect to the net related hedge was as follows:

<u>Exposure</u>	2003			2002
	<u>Gross Exposure</u> (000's)	<u>Net Foreign Currency Hedge</u> (000's)	<u>Net Exposure</u> (000's)	<u>Net Exposure</u> (000's)
United States	\$ 11,856	\$ 2	\$ 11,854	\$ 11,143
Euro	2,380	22	2,358	2,289
United Kingdom	1,750	-	1,750	1,325
Japan	780	-	780	640
Hong Kong	371	-	371	193
Sweden	314	23	291	211
Other	2,159	227	1,932	1,852
	<u>\$ 19,610</u>	<u>\$ 274</u>	<u>\$ 19,336</u>	<u>\$ 17,653</u>

d) **Market Risk**

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.



**THE CITY OF WINNIPEG  
COUNCIL MEMBERS' (PRE-1972) PENSION PLAN**

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

*As at December 31*

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Call funds - City of Winnipeg	\$ 3,675	\$ 5,565
Cash	151	117
Accrued interest	8	13
	<u>3,834</u>	<u>5,695</u>
Total Assets	3,834	5,695
<b>LIABILITIES</b>		
Due to Winnipeg Civic Employees' Pension Plan	<u>500</u>	<u>500</u>
Total Liabilities	<u>500</u>	<u>500</u>
Net assets available for benefits	<u>\$ 3,334</u>	<u>\$ 5,195</u>



**THE CITY OF WINNIPEG  
COUNCIL MEMBERS' (PRE-1972) PENSION PLAN**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

*For the years ended December 31*

	<u>2003</u>	<u>2002</u>
<b><i>INCREASE IN ASSETS</i></b>		
Interest	<u>\$ 121</u>	<u>\$ 151</u>
Total increase in assets	<u>121</u>	<u>151</u>
<b><i>DECREASE IN ASSETS</i></b>		
Pension payments	1,482	1,482
Administration	<u>500</u>	<u>500</u>
Total decrease in assets	<u>1,982</u>	<u>1,982</u>
Decrease in net assets	(1,861)	(1,831)
Net assets available for benefits at beginning of year	<u>5,195</u>	<u>7,026</u>
Net assets available for benefits at end of year	<u><u>\$ 3,334</u></u>	<u><u>\$ 5,195</u></u>

**THE CITY OF WINNIPEG  
COUNCIL PENSION PLAN**

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

*As at December 31*

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Investments, at market		
Bonds	\$ 959,188	\$ 792,956
Cash and short-term deposits	210,257	172,823
	<u>1,169,445</u>	<u>965,779</u>
Accrued interest	2,229	1,991
Total Assets	<u>1,171,674</u>	<u>967,770</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>8,632</u>	<u>11,592</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<u><u>\$ 1,163,042</u></u>	<u><u>\$ 956,178</u></u>

*See accompanying notes to the financial statements*

**THE CITY OF WINNIPEG  
COUNCIL PENSION PLAN**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

*For the years ended December 31*

	<u>2003</u>	<u>2002</u>
<b><i>INCREASE IN ASSETS</i></b>		
Contributions		
The City of Winnipeg	\$ 82,019	\$ 80,338
Plan members	43,301	43,623
	<u>125,320</u>	<u>123,961</u>
Investment income from		
Bonds	30,767	4,265
Cash and short-term investments	4,667	27,574
	<u>35,434</u>	<u>31,839</u>
Current period change in market value of investments	66,722	3,586
Total increase in assets	<u>227,476</u>	<u>159,386</u>
<b><i>DECREASE IN ASSETS</i></b>		
Administrative expenses		
Investment management and audit fees	11,968	9,544
Actuarial fees	8,644	26,042
Total decrease in assets	<u>20,612</u>	<u>35,586</u>
Increase in net assets	206,864	123,800
Net assets available for benefits at beginning of year	<u>956,178</u>	<u>832,378</u>
Net assets available for benefits at end of year	<u>\$ 1,163,042</u>	<u>\$ 956,178</u>

*See accompanying notes to the financial statements*



# THE CITY OF WINNIPEG COUNCIL PENSION PLAN

## NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2003*

### **1. Description of Plan**

#### **a) General**

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

#### **b) Contributions**

Plan members contribute 6 1/2% of their Canada Pension Plan earning plus 7 1/2% of any earnings in excess of their Canada Pension Plan earnings. The City makes contributions as required, based on the recommendation of the Plan's actuary. The City is responsible for ensuring that the actuarial liabilities of the Plan are adequately funded over time.

Any surplus disclosed in an actuarial valuation of the Plan may be used to reduce the City's required contributions to the Plan or used as a contingency reserve to offset possible future losses of the Plan.

#### **c) Retirement pensions**

The Plan allows for retirement at or after the age 55, or following completion of 30 years of service, or when the sum of a Plan member's age plus years of credited service equals 80, or if the Plan member becomes totally and permanently disabled.

The pension formula prior to age 65 is equal to 2%, multiplied by the Plan member's best 5-year average earnings, multiplied by the number of years of credited service. The pension formula after the age 65 is equal to the Plan member's years of credited service multiplied by the aggregate of 1.5% of the Plan member's best 5-year average Canada Pension Plan earnings plus 2% of the Plan member's best 5-year average non-Canada Pension Plan earnings.

#### **d) Deemed retirement**

Any Plan member who is not retired on December 1 of the taxation year in which the Plan member attains age 69 shall be deemed to have retired on that day.

#### **e) Survivor's benefits**

The Plan provides for benefits on death before or after retirement.

#### **f) Termination benefits**

Upon application and subject to locking-in provisions, deferred pensions or equivalent lump sum benefits are payable to the Plan member when the Plan member ceases to be an elected official with the City.

## **1. Description of Plan (continued)**

### **g) Re-election**

If a Plan member who is receiving a pension from the Plan is re-elected, the Plan member's pension will be suspended prior to the Plan member becoming an elected official with the City and their years of credited service will be added to the Plan member's years of credited service after re-election.

### **h) Administration**

The Plan is administered by the Council Pension Benefits Board which is comprised of three representatives appointed by City Council, only one of whom may be a Councillor, and the Financial Officer of the City or his or her designate.

## **2. Summary of Significant Accounting Policies**

### **a) Basis of presentation**

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

The financial statements of the Plan are prepared in accordance with Canadian generally accepted accounting principles.

### **b) Investments**

Investments are stated at market value. Fixed income investments are valued using published mid-market quotations.

Cash and short term deposits are comprised of cash and investments that are readily convertible to cash with maturities of less than 90 days. The effective interest rate during the year was 2 % (2002 - 2%).

Investment income is recorded on the accrual basis.

## **3. Contributions Receivable**

City contributions to the Plan are due within four weeks of the required date. The City is charged interest on all balances outstanding past the due date.

## **4. Obligation for Pension Benefits**

The actuarial present value of accrued pension benefits was determined using the projected benefit method prorated on service and using assumptions recommended by the actuary and approved by the Council Pension Benefits Board. An actuarial valuation of the Plan was prepared, effective January 1, 2001 by Mercer Human Resource Consulting Limited, a firm of consulting actuaries. This valuation was extrapolated to December 31, 2003.

#### 4. *Obligation for Pension Benefits (continued)*

The extrapolated actuarial present value of benefits, as at December 31, and the principal components of changes in the actuarial present values during the year, were as follows:

	<u>2003</u>	<u>2002</u>
Actuarial present value of accrued pension benefits at beginning of year	\$ 1,111,119	\$ 923,109
Interest accrued on benefits	74,437	62,894
Benefits accrued	<u>129,495</u>	<u>125,116</u>
Actuarial present value of accrued pension benefits at the end of year	<u>\$ 1,315,051</u>	<u>\$ 1,111,119</u>

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 6% (2002 - 6%) per annum, a rate of return on assets of 6% (2002 - 6%) per annum and a general rate of salary increase of 3.5% (2002 - 3.5%) per annum.

The actuarial value of net assets available for benefits has been determined at fair market value.

The actuarial value of net assets at December 31, was as follows:

	<u>2003</u>	<u>2002</u>
Actuarial value of net assets available for benefits	<u>\$ 1,163,042</u>	<u>\$ 956,178</u>

The next full actuarial valuation of the Plan will be effective January 1, 2004 and will be completed in 2004.

#### 5. *Interest Rate and Credit Risk*

##### a) *Interest Rate Risk*

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position, and income. This risk arises from the differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's assets is affected by short-term changes in nominal interest rates.

Pension liabilities are exposed to the long-term expectation of rate of return on investments as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet pension obligations.

The plan has approximately 82% (2002 - 82%) of its assets invested in fixed income securities as at December 31, 2003. The effective interest rate on the securities is 4.25% (2002 - 4.25%). The returns of fixed income securities are particularly sensitive to changes in nominal interest rates.

All investments in bonds held by the Plan at December 31, 2003 have a term to maturity in excess of five years.



5. *Interest Rate and Credit Risk (continued)*

b) **Credit Risk**

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. At December 31, 2003, the Plan's maximum credit risk exposure relates to bonds, accrued interest and short-term deposits totaling \$1,171,674. The Plan's concentration of credit risk as at December 31, 2003 related to bonds is categorized amongst the following types of issuer:

<u>Type of Issuer</u>	<u>Market Value</u>
Government of Canada and Government of Canada guaranteed	<u>\$ 959,188</u>

The plan limits credit risk by investing in bonds of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

**THE TRUSTEES OF THE DENTAL SERVICES AND  
VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES**

**STATEMENT OF FINANCIAL POSITION**

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

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current		
Cash	\$ 272	\$ 324
Accounts receivable (Note 3)	710	585
Prepaid claims (Note 4)	<u>100</u>	<u>100</u>
	<u>\$ 1,082</u>	<u>\$ 1,009</u>
<b>LIABILITIES</b>		
Current		
Accounts payable (Note 5)	<u>\$ 499</u>	<u>\$ 428</u>
<b>EQUITY</b>		
Dental Services Plan	429	428
Vision Care Plan	<u>154</u>	<u>153</u>
	<u>583</u>	<u>581</u>
	<u>\$ 1,082</u>	<u>\$ 1,009</u>

*See accompanying notes to the financial statements*

**THE TRUSTEES OF THE DENTAL SERVICES AND  
VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES**

**STATEMENT OF CHANGES IN TRUST ACCOUNTS**

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

	<u>2003</u>	<u>2002</u>
<b>DENTAL SERVICES PLAN</b>		
Opening balance	\$ 428	\$ 422
Add:		
Contributions - The City of Winnipeg	6,486	6,462
Interest earned	<u>7</u>	<u>6</u>
	<u>6,921</u>	<u>6,890</u>
Deduct:		
Dental claims	6,198	6,165
Administration fees	<u>294</u>	<u>297</u>
	<u>6,492</u>	<u>6,462</u>
Ending balance	<u><u>\$ 429</u></u>	<u><u>\$ 428</u></u>
<b>VISION CARE PLAN</b>		
Opening balance	\$ 153	\$ 153
Add:		
Contributions - The City of Winnipeg	786	678
Interest earned	<u>1</u>	<u>1</u>
	<u>940</u>	<u>832</u>
Deduct:		
Vision claims	739	638
Administration fees	<u>47</u>	<u>41</u>
	<u>786</u>	<u>679</u>
Ending balance	<u><u>\$ 154</u></u>	<u><u>\$ 153</u></u>

*See accompanying notes to the financial statements*



# THE TRUSTEES OF THE DENTAL SERVICES AND VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2003

(in thousands of dollars, except as noted)

### 1. Summary of Significant Accounting Policies

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

#### a) Basis of accounting

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

#### b) Allocation of interest

The funds of the Dental Services and Vision Care Plans (the Plans) are deposited in a single bank account. Interest earned is apportioned on the basis of the ratio of the contributions received from The City of Winnipeg by the Plans.

### 2. Status of the Trustees of the Dental Services and Vision Care Plans for The City of Winnipeg Employees

City Council, on October 15, 1980, authorized the appointment of the City Treasurer, the Medical Health Officer and the Director of Personnel as trustees of the Dental Services Plan for The City of Winnipeg Employees.

City Council, on June 9, 1989, authorized the appointment of the aforementioned officers as trustees of the Vision Care Plan for The City of Winnipeg Employees.

The revenue for both plans consists of contributions from The City of Winnipeg equal to dental and vision claims paid by the Trustees and bank interest earned. The disbursements are limited to eligible dental and vision claims processed and administration fees of the servicing organization.

### 3. Accounts Receivable

The accounts receivable is due from The City of Winnipeg for unpaid claims and administration charges as follows:

	2003	2002
Dental Services Plan	\$ 631	\$ 532
Vision Care Plan	79	50
Contribution owing	-	3
	\$ 710	\$ 585

**4. Prepaid Claims**

The prepaid claims represents the amount held by Manitoba Blue Cross for incurred but unreported claims.

**5. Accounts Payable**

The accounts payable include amounts due to the servicing organization for claims and administration, along with amounts due to The City of Winnipeg as follows:

	<u>2003</u>	<u>2002</u>
Dental Services Plan - Claims	\$ 291	\$ 253
Prepaid claims - Due to City of Winnipeg	100	100
Vision Care Plan - Claims	74	47
Dental Services Plan - administration	29	25
Vision Care Plan - administration	5	3
	<u>\$ 499</u>	<u>\$ 428</u>

**THE CITY OF WINNIPEG  
TABLE OF FINANCIAL STATISTICS & SELECTED RATIOS**

**FIVE-YEAR REVIEW**

*As at December 31*

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

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Population (Statistics Canada)	<b>644,500</b>	639,800	637,000	634,100	630,700
Consolidated debt (1)	<b>\$ 740,381</b>	859,389	1,134,788	1,140,520	1,249,320
Net tax-supported debenture debt (2)	<b>\$ 347,518</b>	337,879	404,811	443,428	550,115
Debt per capita:					
Consolidated (dollars)	<b>\$ 1,149</b>	1,343	1,781	1,799	1,981
Net tax-supported (dollars)	<b>\$ 539</b>	528	635	699	872
Non Portioned Taxable					
Assessments (millions) (3)	<b>\$ 25,274</b>	24,831	23,300	23,046	22,802
Debt as a % of Non Portioned of taxable assessments					
Consolidated	<b>2.9%</b>	3.5%	4.9%	4.9%	5.5%
Net tax-supported	<b>1.4%</b>	1.4%	1.7%	1.9%	2.4%
Consolidated revenues (4)	<b>\$ 961,429</b>	1,158,384	1,041,201	1,076,798	1,042,966
Consolidated debt as a % of consolidated revenues	<b>77.0%</b>	74.2%	109.0%	105.9%	119.8%

**Notes:**

- (1) Consolidated debt is gross debt outstanding for all municipal purposes - tax-supported and City-owned utilities, Winnipeg Enterprises Corporation and Winnipeg Housing Rehabilitation Corporation.
- (2) Net tax-supported debt is gross debt less accumulated sinking funds, less City-owned utilities (except Transit System) net of sinking funds, and Winnipeg Enterprises Corporation, and Winnipeg Housing Rehabilitation Corporation.
- (3) Non-portioned taxable assessments exclude fully exempt properties and does not include all converted grants.
- (4) Consolidated revenues are comprised of general revenues, City-owned utilities, revenue from the wholly-owned corporations, but exclude revenues collected on behalf of School authorities.



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

**STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS**

*As at December 31, 2003*

By-Law Number	Minister of Finance Approval	General Municipal Purposes		City-owned Utilities			Total
		General	Transit System	Solid Waste Disposal	Waterworks System	Sewage Disposal System	
6520/94	December 2/94	\$ 7,000,000	\$ -	\$ -	\$ -	\$ -	\$ 7,000,000
6745/96	February 22/96	-	-	-	-	6,024,693	6,024,693
6774/96	April 16/96	14,801,000	1,144,000	200,000	4,615,000	-	20,760,000
6973/97	March 17/97	27,254,138	463,325	2,588,000	-	-	30,305,463
6976/97	March 17/97	18,213,000	650,000	-	200,000	-	19,063,000
7125/98	January 22/98	-	1,062,000	-	980,000	-	2,042,000
7335/98	January 13/99	-	-	-	3,715,000	-	3,715,000
7751/2001	March 9/2001	14,699,820	770,000	7,210,000	-	-	22,679,820
		<u>\$ 81,967,958</u>	<u>\$ 4,089,325</u>	<u>\$ 9,998,000</u>	<u>\$ 9,510,000</u>	<u>\$ 6,024,693</u>	<u>\$ 111,589,976</u>

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

**DEBENTURE DEBT ISSUES**

*As at December 31, 2003*

<b>Term</b>	<b>Month</b>	<b>Interest Rate</b>	<b>By-Law Number</b>	<b>Payable at</b>	<b>Cities</b>	<b>Amount of Debt</b>	
<b><i>The City of Winnipeg</i></b>							
<b>Sinking Fund Debt</b>							
1991-2004	Nov. 1	10.000	5779/91	Royal Bank	Any branch in Canada	\$	32,984,822
1990-2005	Oct. 1	11.700	5507/90	Royal Bank	Any branch in Canada		66,424,538
1999-2009	Feb. 2	5.350	7368/99	Bank of Montreal	Any branch in Canada	\$	50,000,000
1989-2009	Dec. 14	10.000	5286/89	Royal Bank	Any branch in Canada		85,500,000
							<u>135,500,000</u>
1993-2013	Feb. 11	9.375	6090/93	Royal Bank	Any branch in Canada		90,000,000
1994-2014	Jan. 20	8.000	6300/94	Royal Bank	Any branch in Canada		85,000,000
1995-2015	May 12	9.125	6620/95	Bank of Montreal	Any branch in Canada		88,000,000
1997-2017	Nov. 17	6.250	7000/97	Bank of Montreal	Any branch in Canada		30,000,000
							<u>527,909,360</u>
<b>Serial Debt</b>							
1996-2006	Oct. 30	6.483	6897/96	Bank of Montreal	Any branch in Canada		21,752,817
1997-2007	June 27	6.343	7054/97	Bank of Montreal	Any branch in Canada		24,500,000
2003-2013	Jan. 17	4.882	8138/02	Royal Bank	Any branch in Canada		97,180,000
							<u>143,432,817</u>
<b>Total Debt</b>						\$	<u><u>671,342,177</u></u>

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

**SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE**

*As at December 31, 2003*

<u>Description</u>	<u>Debenture Debt</u>		
	<u>Gross</u>	<u>Sinking Fund</u>	<u>Net</u>
<b>Tax-Supported</b>			
General	\$ 439,644,097	\$ 150,360,234	\$ 289,283,863
Unallocated Sinking Fund Surplus	-	5,144,151	(5,144,151)
Total Tax-Supported	439,644,097	155,504,385	284,139,712
<b>Other Funds</b>			
Civic Accommodations	24,411,599	6,704,220	17,707,379
Transit System	33,606,148	13,854,219	19,751,929
Total Tax-Supported and Other Funds	497,661,844	176,062,824	321,599,020
<b>City-Owned Utilities</b>			
Solid Waste Disposal	3,738,646	1,898,665	1,839,981
Waterworks System	53,214,245	16,537,714	36,676,531
Sewage Disposal System	116,727,442	51,209,973	65,517,469
Total City-Owned Utilities	173,680,333	69,646,352	104,033,981
	<u>\$ 671,342,177</u>	<u>\$ 245,709,176</u>	<u>\$ 425,633,001</u>

<u>Description</u>	<u>2004 Fixed Annual Charges</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
<b>Tax-Supported</b>	\$ 34,537,093	\$ 23,086,689	\$ 57,623,782
<b>Other Funds</b>			
Civic Accommodations	1,729,789	1,145,098	2,874,887
Transit System	2,990,028	1,460,463	4,450,491
Total Tax-Supported and Other Funds	39,256,910	25,692,250	64,949,160
<b>City-Owned Utilities</b>			
Solid Waste Disposal	365,153	196,801	561,954
Waterworks System	4,602,641	3,579,909	8,182,550
Sewage Disposal System	10,439,535	4,661,570	15,101,105
Total City-Owned Utilities	15,407,329	8,438,280	23,845,609
	<u>\$ 54,664,239</u>	<u>\$ 34,130,530</u>	<u>\$ 88,794,769</u>



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

**DEBENTURE DEBT CHANGES DURING 2003**

*As at December 31, 2003*

**Gross Debt as at January 1, 2003** \$ 788,374,006

**Debt Issued During 2003**

***Tax-Supported Debt:***

Streets and Bridge System	\$ 36,711,191		
Land Drainage	9,937,141		
Culture and Recreation	10,213,366		
Protection	4,683,708		
Health and Social Development	2,484,482		
Special Projects	3,917,830		
Convention Centre	233,499		
Core Area Programs	10,505,935		
North Portage Development	1,448,208	\$ 80,135,360	

***Utilities Debt:***

Transit System	3,786,164		
Sewage Disposal System	9,842,671		
Civic Accommodations	3,415,805	17,044,640	97,180,000

**Debt Retired During 2003**

***Tax-Supported Debt:***

Streets and Bridge System	72,883,035		
Land Drainage	23,155,605		
Culture and Recreation	12,068,535		
Parks and Recreation	1,665,000		
Libraries	645,000		
Protection	6,546,046		
Fire	771,000		
Police	210,000		
Health and Social Development	2,989,431		
Special Projects	5,181,397		
Convention Centre	800,000		
City Developments and Dev. Agreements	32,413		
Overhead Walkways	862,809		
Core Area Programs	13,760,886		
North Portage Development	17,000,000		
North Ellice Neighborhood	225,500		
Land Acquisition	766,757		
Infrastructure - Streets and Bridges	123,900		
Infrastructure - Land Drainage	88,065		
Infrastructure - Parks and Recreation	19,335	159,794,714	

***Utilities Debt:***

Transit System	8,186,606		
Water Works System	11,016,214		
Sewage Disposal System	22,333,029		
Solid Waste Disposal	3,870,944		
Civic Accommodations	9,010,322	54,417,115	(214,211,829)

**Gross Debt as at December 31, 2003** \$ 671,342,177

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

**DEBENTURE DEBT - MATURITY BY YEARS**

*As at December 31*

<u>Maturity Year</u>	<u>Sinking Fund Debt</u>	<u>Serial and Installment Debt</u>	<u>Total</u>	<u>%</u>
2004	\$ 32,984,822	\$ 16,231,211	\$ 49,216,033	7.3
2005	66,424,538	17,030,778	83,455,316	12.4
2006	-	17,873,828	17,873,828	2.7
2007	-	28,154,000 (1)	28,154,000	4.2
2008	-	9,371,000	9,371,000	1.4
2009	135,500,000 (2)	9,863,000	145,363,000	21.7
2010	-	10,381,000	10,381,000	1.5
2011	-	10,926,000	10,926,000	1.6
2012	-	11,499,000	11,499,000	1.7
2013	90,000,000	12,103,000	102,103,000	15.2
2014	85,000,000	-	85,000,000	12.7
2015	88,000,000	-	88,000,000	13.1
2016	-	-	-	-
2017	30,000,000	-	30,000,000	4.5
Gross Debt	<u>\$ 527,909,360</u>	<u>\$ 143,432,817</u>	671,342,177	<u>100.0</u>
Less: Sinking Fund Reserve			<u>245,709,176</u>	
Net Debt			<u>\$ 425,633,001</u>	

(1) Of the \$28,154,000 serial debt that matures in 2007, there will be a maturity shortfall of \$17,500,000, which will need to be refinanced.

(2) Of the \$135,500,000 sinking fund debt that matures in 2009, there will be a maturity shortfall of \$30,980,600, which will need to be refinanced.

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

**DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES**

*As at December 31, 2003*

<b>Maturity Year</b>	<b>General Tax-Supported</b>	<b>Transit System</b>	<b>Waterworks System</b>	<b>Sewage Disposal System</b>	<b>Solid Waste Disposal</b>	<b>Civic Accommodations</b>	<b>Total</b>
2004	\$ 41,044,215	\$ 490,751	\$ 3,054,104	\$ 2,963,393	\$ 106,175	\$ 1,557,395	\$ 49,216,033
2005	52,114,530	7,407,513	3,268,568	19,113,858	604,802	946,045	83,455,316
2006	13,028,603	536,950	2,391,573	1,251,780	92,669	572,253	17,873,828
2007	25,107,306	1,171,902	-	901,823	-	972,969	28,154,000
2008	7,727,397	365,097	-	949,122	-	329,384	9,371,000
2009	118,053,604	3,384,266	1,500,000	11,998,953	1,935,000	8,491,177	145,363,000
2010	8,560,252	404,447	-	1,051,417	-	364,884	10,381,000
2011	9,009,662	425,680	-	1,106,617	-	384,041	10,926,000
2012	9,482,162	448,005	-	1,164,652	-	404,181	11,499,000
2013	48,181,224	5,471,537	5,000,000	41,225,827	-	2,224,412	102,103,000
2014	22,485,673	6,500,000	13,000,000	35,000,000	-	8,014,327	85,000,000
2015	54,849,469	7,000,000	25,000,000	-	1,000,000	150,531	88,000,000
2016	-	-	-	-	-	-	-
2017	30,000,000	-	-	-	-	-	30,000,000
	<u>\$ 439,644,097</u>	<u>\$ 33,606,148</u>	<u>\$ 53,214,245</u>	<u>\$ 116,727,442</u>	<u>\$ 3,738,646</u>	<u>\$ 24,411,599</u>	<u>\$ 671,342,177</u>



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

**ANNUAL DEBENTURE DEBT SERVICE CHARGES ON EXISTING DEBT**

*For the years ending December 31*

Year	Tax-Supported (Includes Transit System)			Utilities			Total
	Principal	Interest	Sub-total	Principal	Interest	Sub-total	
2004	\$ 24,547,152	\$ 37,527,121	\$ 62,074,273	\$ 9,583,378	\$ 17,137,118	\$ 26,720,496	\$ 88,794,769
2005	23,484,110	34,026,748	57,510,858	9,583,804	16,538,050	26,121,854	83,632,712
2006	21,941,360	27,929,522	49,870,882	8,891,339	13,974,237	22,865,576	72,736,458
2007	34,655,016	26,679,117	61,334,133	6,457,855	13,695,621	20,153,476	81,487,609
2008	16,468,302	25,746,952	42,215,254	5,861,569	13,620,930	19,482,499	61,697,753
2009	16,893,177	24,202,482	41,095,659	5,928,693	13,387,614	19,316,307	60,411,966
2010	13,925,498	15,678,735	29,604,233	5,316,503	11,537,746	16,854,249	46,458,482
2011	14,396,142	15,216,140	29,612,282	5,390,859	11,464,662	16,855,521	46,467,803
2012	14,890,967	14,710,030	29,600,997	5,469,034	11,384,704	16,853,738	46,454,735
2013	15,412,562	12,142,249	27,554,811	5,551,439	9,105,256	14,656,695	42,211,506
2014	3,654,289	8,678,191	12,332,480	2,484,878	4,626,809	7,111,687	19,444,167
2015	2,777,688	4,696,882	7,474,570	790,860	1,193,118	1,983,978	9,458,548
2016	907,200	1,875,000	2,782,200	-	-	-	2,782,200
2017	907,200	1,875,000	2,782,200	-	-	-	2,782,200
	<u>\$ 204,860,663</u>	<u>\$ 250,984,169</u>	<u>\$ 455,844,832</u>	<u>\$ 71,310,211</u>	<u>\$ 137,665,865</u>	<u>\$ 208,976,076</u>	<u>\$ 664,820,908</u>

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

**TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b><i>STREETS AND BRIDGE SYSTEM</i></b>									
<b><i>(street improvements, street lighting, bridges and underpasses)</i></b>									
5779/91	\$ 13,969,492	UW	Nov. 1, 1991-2004	CAN	5.000	10.000	\$ 1,396,949	\$ 788,659	\$ 12,656,350
5507/90	25,370,655	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	2,968,366	1,175,734	21,085,374
6897/96	1,526,705	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	101,852	480,356	-
7054/97	12,301,800	UW	June 27, 1997-2007	CAN	Serial	6.343	750,190	878,700	-
7369/99	25,364,600	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	1,357,006	767,091	3,456,624
5286/89	28,210,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	2,821,000	853,143	16,759,385
8138/02	36,711,192	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	1,617,332	2,884,990	-
6090/93	14,067,475	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	1,318,826	425,437	5,587,869
6300/94	11,509,146	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	920,732	348,066	4,019,359
6620/95	22,633,969	UW	May 12, 1995-2015	CAN	5.000	9.125	2,065,350	684,510	6,745,089
7000/97	20,700,000	UW	Nov. 17, 1997-2017	CAN	5.000	6.250	1,293,750	625,968	4,283,441
	<u>212,365,034</u>						<u>16,611,353</u>	<u>9,912,654</u>	<u>74,593,491</u>

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

**TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b>LAND DRAINAGE</b> (storm water relief sewers, drainage sewers and flood control)									
5779/91	7,635,541	UW	Nov. 1, 1991-2004	CAN	5.000	10.000	763,554	431,070	6,917,794
5507/90	5,130,521	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	600,271	237,760	4,263,940
6897/96	6,762,729	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	451,165	2,127,795	-
7054/97	3,780,000	UW	June 27, 1997-2007	CAN	Serial	6.343	230,512	270,000	-
7368/99	1,535,000	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	82,123	46,422	209,186
5286/89	7,950,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	795,000	240,429	4,723,045
8138/02	9,937,141	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	437,786	780,922	-
6090/93	1,300,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	516,385
6300/94	2,625,312	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	210,025	79,396	916,842
6620/95	2,251,500	UW	May 12, 1995-2015	CAN	5.000	9.125	205,449	68,091	670,964
7000/97	4,900,000	UW	Nov. 17, 1997-2017	CAN	5.000	6.250	306,250	148,176	1,013,955
	<u>53,807,744</u>						<u>4,204,010</u>	<u>4,469,376</u>	<u>19,232,111</u>
<b>CULTURE AND RECREATION</b> (parks, swimming pools, arenas, golf courses, zoo, libraries, etc.)									
5779/91	2,043,339	UW	Nov. 1, 1991-2004	CAN	5.000	10.000	204,334	115,358	1,851,264
5507/90	2,544,405	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	297,695	117,914	2,114,637
6897/96	2,085,175	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	139,109	656,070	-
5286/89	10,967,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	1,096,700	331,670	6,515,426
8138/02	10,213,366	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	449,956	802,629	-
	<u>27,853,285</u>						<u>2,187,794</u>	<u>2,023,641</u>	<u>10,481,327</u>



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

**TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b><i>PARKS AND RECREATION</i></b>									
7054/97	1,610,000	UW	June 27, 1997-2007	CAN	Serial	6.343	98,181	115,000	-
7368/99	2,739,900	UW	Feb. 2, 1999-2009	CAN	5.000	5.000	146,585	82,862	373,387
6090/93	5,360,525	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	502,548	162,116	2,129,302
6300/94	5,648,659	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	451,893	170,830	1,972,691
6620/95	850,000	UW	May 12, 1995-2015	CAN	5.000	9.125	77,563	25,706	253,306
	<u>16,209,084</u>						<u>1,276,770</u>	<u>556,514</u>	<u>4,728,686</u>
<b><i>LIBRARIES</i></b>									
7054/97	280,000	UW	June 27, 1997-2007	CAN	Serial	6.343	17,075	20,000	-
7368/99	376,500	UW	Feb. 2, 1999-2009	CAN	5.000	5.000	20,143	11,386	51,308
6090/93	100,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	9,375	3,024	39,722
6300/94	73,040	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	5,843	2,209	25,508
6620/95	10,000	UW	May 12, 1995-2015	CAN	5.000	9.125	912	303	2,980
	<u>839,540</u>						<u>53,348</u>	<u>36,922</u>	<u>119,518</u>

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

**TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b>PROTECTION</b> (firehalls, police garage and public safety building)									
5779/91	873,646	UW	Nov. 1, 1991-2004	CAN	5.000	10.000	87,365	49,323	791,523
5507/90	567,277	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	66,371	26,289	471,460
6897/96	864,594	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	57,680	272,032	-
5286/89	940,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	94,000	28,428	558,448
8138/02	4,683,708	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	206,343	368,074	-
	<u>7,929,225</u>						<u>511,759</u>	<u>744,146</u>	<u>1,821,431</u>
<b>FIRE</b>									
7368/99	403,500	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	21,587	12,203	54,988
6090/93	1,300,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	516,385
6300/94	13,791	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	1,103	417	4,816
6620/95	2,000	UW	May 12, 1995-2015	CAN	5.000	9.125	183	61	596
7000/97	1,800,000	UW	Nov. 17, 1997-2017	CAN	5.000	6.250	112,500	54,432	372,473
	<u>3,519,291</u>						<u>257,248</u>	<u>106,428</u>	<u>949,258</u>

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

**TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b><i>POLICE</i></b>									
7054/97	840,000	UW	June 27, 1997-2007	CAN	Serial	6.343	51,225	60,000	-
7368/99	2,066,000	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	110,531	62,481	281,549
6090/93	1,600,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	150,000	48,388	635,551
6300/94	335,678	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	26,854	10,152	117,229
6620/95	100,000	UW	May 12, 1995-2015	CAN	5.000	9.125	9,125	3,024	29,801
	<u>4,941,678</u>						<u>347,735</u>	<u>184,045</u>	<u>1,064,130</u>
<b><i>HEALTH AND SOCIAL DEVELOPMENT (urban renewal, community health centres and hospital capital grants)</i></b>									
5507/90	1,334,770	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	156,168	61,856	1,109,318
6897/96	741,786	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	49,487	233,393	-
5286/89	1,030,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	103,000	31,150	611,916
8138/02	2,484,482	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	109,455	195,246	-
6090/93	150,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	14,063	4,536	59,583
6300/94	12,723	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	1,018	385	4,443
	<u>5,753,761</u>						<u>433,191</u>	<u>526,566</u>	<u>1,785,260</u>
<b><i>GENERAL GOVERNMENT</i></b>									
5507/90	<u>188,536</u>	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	<u>22,059</u>	<u>8,737</u>	<u>156,691</u>



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

**TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b><i>SPECIAL PROJECTS</i></b>									
7054/97	560,000	UW	June 27, 1997-2007	CAN	Serial	6.343	34,150	40,000	-
5286/89	4,800,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	480,000	145,164	2,851,650
8138/02	3,917,830	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	172,602	307,887	-
6090/93	14,098,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	1,321,687	426,360	5,599,994
6300/94	2,267,324	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	181,386	68,570	791,821
6620/95	667,000	UW	May 12, 1995-2015	CAN	5.000	9.125	60,864	20,172	198,771
	<u>26,310,154</u>						<u>2,250,689</u>	<u>1,008,153</u>	<u>9,442,236</u>
<b><i>CONVENTION CENTRE</i></b>									
5286/89	500,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	50,000	15,121	297,047
8138/02	233,499	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	10,287	18,350	-
6090/93	225,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	21,094	6,805	89,374
6620/95	3,100,000	UW	May 12, 1995-2015	CAN	5.000	9.125	282,875	93,752	923,823
	<u>4,058,499</u>						<u>364,256</u>	<u>134,028</u>	<u>1,310,244</u>
<b><i>CITY DEVELOPMENT AND DEV. AGREEMENTS</i></b>									
6897/96	109,115	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	7,279	34,332	-
<b><i>OVERHEAD WALKWAYS</i></b>									
5779/91	112,152	UW	Nov. 1, 1991-2004	CAN	5.000	10.000	11,215	6,332	101,610

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

**TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b><i>CORE AREA PROGRAM</i></b>									
5779/91	4,534,438	UW	Nov. 1, 1991-2004	CAN	5.000	10.000	453,444	255,995	4,108,198
5507/90	4,103,583	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	480,119	190,169	3,410,459
6897/96	505,663	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	33,734	159,100	-
5286/89	12,000,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	1,200,000	362,911	7,129,125
8138/02	10,505,936	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	462,845	825,621	-
6620/95	235,000	UW	May 12, 1995-2015	CAN	5.000	9.125	21,444	7,107	70,032
7000/97	1,000,000	UW	Nov. 17, 1997-2017	CAN	5.000	6.250	62,500	30,240	206,930
	<u>32,884,620</u>						<u>2,714,086</u>	<u>1,831,143</u>	<u>14,924,744</u>
<b><i>NORTH PORTAGE DEVELOPMENT</i></b>									
5507/90	417,115	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	48,802	19,330	346,662
8138/02	1,448,208	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	63,802	113,809	-
	<u>1,865,323</u>						<u>112,604</u>	<u>133,139</u>	<u>346,662</u>
<b><i>NORTH ELLICE NEIGHBORHOOD</i></b>									
5507/90	20,856	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	2,440	967	17,333

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

**TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b>INFRASTRUCTURE</b>									
7368/99	2,100,000	UW	Feb. 2, 1999-2007	CAN	5.000	5.350	112,350	63,509	286,183
6620/95	25,000,000	UW	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	7,450,184
	<u>27,100,000</u>						<u>2,393,600</u>	<u>819,574</u>	<u>7,736,367</u>
<b>INFRASTRUCTURE - STREETS AND BRIDGE</b>									
7054/97	1,734,600	UW	June 27, 1997-2007	CAN	Serial	6.343	105,780	123,900	-
7000/97	1,600,000	UW	Nov. 17, 1997-2017	CAN	5.000	6.250	100,000	48,384	331,087
	<u>3,334,600</u>						<u>205,780</u>	<u>172,284</u>	<u>331,087</u>
<b>INFRASTRUCTURE - LAND DRAINAGE</b>									
7054/97	1,232,910	UW	June 27, 1997-2007	CAN	Serial	6.343	75,185	88,065	-
<b>INFRASTRUCTURE - PARKS AND RECREATION</b>									
7054/97	270,690	UW	June 27, 1997-2007	CAN	Serial	6.343	16,507	19,335	-
<b>COMMUNITY IMPROVEMENT PROGRAM</b>									
7368/99	1,250,000	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	66,875	37,803	170,347
<b>WINNIPEG DEVELOPMENT AGREEMENT</b>									
7368/99	2,000,000	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	107,000	60,485	272,555



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

**TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b><i>SPECIAL PROJECTS - PARKS AND RECREATION</i></b>									
7368/99	1,215,000	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	65,003	36,745	165,577
<b><i>SPECIAL PROJECTS - COMMUNITY SERVICES</i></b>									
7368/99	428,500	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	22,925	12,959	58,395
<b><i>SPECIAL PROJECTS - LAND AND DEVELOPMENT</i></b>									
7368/99	2,367,000	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	126,635	71,584	322,569
<b><i>SPECIAL PROJECTS - ASSESSMENT</i></b>									
7368/99	1,582,500	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	84,664	47,859	215,659
<b><i>SPECIAL PROJECTS - CORPORATE FINANCE</i></b>									
7368/99	90,000	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	4,815	2,722	12,265
<b><i>SPECIAL PROJECTS - BUSINESS LIAISON</i></b>									
7368/99	5,000	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	268	151	681
<b>Tax-Supported Total</b>	<b>439,644,097</b>						<b>34,537,093</b>	<b>23,086,689</b>	<b>150,360,234</b>

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

**CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b>TRANSIT SYSTEM</b>									
5507/90	6,894,277	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	806,630	319,496	5,729,785
6897/96	375,707	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	25,065	118,211	-
7054/97	1,050,000	UW	June 27, 1997-2007	CAN	Serial	6.343	64,031	75,000	-
5286/89	3,000,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	300,000	90,728	1,782,281
8138/02	3,786,164	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	166,802	297,540	-
6090/93	5,000,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	1,986,095
6300/94	6,500,000	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	520,000	196,577	2,270,006
388 6620/95	7,000,000	UW	May 12, 1995-2015	CAN	5.000	9.125	638,750	211,698	2,086,052
	<u>33,606,148</u>						<u>2,990,028</u>	<u>1,460,463</u>	<u>13,854,219</u>
<b>WATERWORKS SYSTEM</b>									
5779/91	918,580	UW	Nov. 1, 1991-2004	CAN	5.000	10.000	91,858	51,859	832,233
5507/90	1,008,370	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	117,979	46,730	838,050
6897/96	6,787,295	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	452,804	2,135,525	-
5286/89	1,500,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	150,000	45,364	891,140
6090/93	5,000,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	1,986,095
6300/94	13,000,000	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	1,040,000	393,153	4,540,012
6620/95	25,000,000	UW	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	7,450,184
	<u>53,214,245</u>						<u>4,602,641</u>	<u>3,579,909</u>	<u>16,537,714</u>

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

**CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b><i>SEWAGE DISPOSAL SYSTEM</i></b>									
5779/91	1,837,160	UW	Nov. 1, 1991-2004	CAN	5.000	10.000	183,716	103,718	1,664,465
5507/90	17,926,518	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	2,097,403	830,756	14,898,604
6897/96	1,121,093	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	74,792	352,736	-
5286/89	11,000,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	1,100,000	332,669	6,535,031
8138/02	9,842,671	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	433,624	773,497	-
6090/93	40,000,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	3,750,000	1,209,703	15,888,763
6300/94	35,000,000	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	2,800,000	1,058,491	12,223,110
	<u>116,727,442</u>						<u>10,439,535</u>	<u>4,661,570</u>	<u>51,209,973</u>
<b><i>SOLID WASTE DISPOSAL</i></b>									
5779/91	23,428	UW	Nov. 1, 1991-2004	CAN	5.000	10.000	2,343	1,323	21,226
5507/90	517,223	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	60,515	23,969	429,861
6897/96	262,995	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	17,545	82,748	-
5286/89	1,935,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	193,500	58,519	1,149,571
6620/95	1,000,000	UW	May 12, 1995-2015	CAN	5.000	9.125	91,250	30,243	298,007
	<u>3,738,646</u>						<u>365,153</u>	<u>196,802</u>	<u>1,898,665</u>



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

**CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)**

*As at December 31, 2003*

By-law Number	Amount of Debt	Issued By	Term of Debt	Payable	Interest Rates %		Annual Charges 2004		Sinking Fund Reserve at Dec. 31, 2003
					Sinking Fund	Debt	Interest	Principal	
<b>CIVIC ACCOMMODATIONS</b>									
5779/91	1,037,045	UW	Nov. 1, 1991-2004	CAN	5.000	10.000	103,705	58,547	939,562
5507/90	400,431	UW	Oct. 1, 1990-2005	CAN	5.000	11.700	46,850	18,557	332,795
6897/96	609,960	UW	Oct. 30, 1996-2006	CAN	Serial	6.483	40,693	191,915	-
7054/97	840,000	UW	June 27, 1997-2007	CAN	Serial	6.343	51,225	60,000	-
7368/99	6,476,500	UW	Feb. 2, 1999-2009	CAN	5.000	5.350	346,493	195,866	882,601
5286/89	1,668,000	UW	Dec. 14, 1989-2009	CAN	5.000	10.000	166,800	50,445	990,949
8138/02	3,415,805	UW	Jan. 17, 2003-2013	CAN	Serial	4.882	150,485	268,435	-
6090/93	1,799,000	UW	Feb. 11, 1993-2013	CAN	5.000	9.375	168,656	54,407	714,596
6300/94	8,014,327	UW	Jan. 20, 1994-2014	CAN	5.000	8.000	641,146	242,374	2,798,858
6620/95	150,531	UW	May 12, 1995-2015	CAN	5.000	9.125	13,736	4,551	44,859
	24,411,599						1,729,789	1,145,097	6,704,220
<b>Utility Total</b>	<b>231,698,080</b>						<b>20,127,146</b>	<b>11,043,841</b>	<b>90,204,791</b>
<b>Unallocated Sinking Fund Surplus</b>									<b>5,144,151</b>
<b>Grand Total</b>	<b>\$ 671,342,177</b>						<b>\$ 54,664,239</b>	<b>\$ 34,130,530</b>	<b>\$ 245,709,176</b>

