2012 DETAILED FINANCIAL STATEMENTS

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REPORT FROM THE CHIEF FINANCIAL OFFICER
FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

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

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

Funds, Entities, and Investment in Government Businesses

Funds

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

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

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

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

City Council has approved the establishment of several Reserve Funds, which can be categorized into three types. Capital Reserves finance current and anticipated future capital projects, thereby reducing or eliminating the need to issue debt. Special Purpose Reserves provide designated revenue to fund the Reserves' authorized costs. The Stabilization Reserve assists in the funding of major unexpected expenses, or revenue deficits reported in the General Revenue Fund.

Entities and Investment in Government Businesses

The civic corporations included in the Statements are the Assiniboine Park Conservancy Inc., Winnipeg Public Library Board, The Convention Centre Corporation, Economic Development Winnipeg Inc., Winnipeg Enterprises Corporation, Winnipeg Arts Council Inc., and CentreVenture Development Corporation. These corporations are involved in various activities including economic development, recreation, tourism, entertainment and conventions. The North Portage Development Corporation, Winnipeg Housing Rehabilitation Corporation and River Park South Developments Inc. are included in the Statements as investment in government businesses.

Results of Operations

Actual Comparison

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2012, on a comparative basis. The Statements indicate the City increased its accumulated surplus during the year because annual revenues exceeded expenses.

During 2012, the City recorded consolidated revenues of $1.497 billion (2011 - $1.469 billion), which included government transfers and developer contributions-in-kind that related to the acquisition of tangible capital assets. Consolidated expenses totalled $1.300 billion (2011 - $1.273 billion). As a result, the City's accumulated surplus increased by $0.197 billion (2011 - $0.196 billion).

Consolidated Revenues
For the years ended December 31

(in thousands of dollars)	2012		2011		Variance
Taxation	$ 587,578	39%	$ 563,779	39%	$ 23,799
Sales of services and regulatory fees	483,339	32%	460,452	31%	22,887
Government transfers					
Operating	158,975	11%	159,475	11%	(500)
Capital	121,262	8%	138,611	9%	(17,349)
Investment, land sales and other revenues	73,762	5%	88,718	6%	(14,956)
Developer contributions-in-kind	72,225	5%	58,575	4%	13,650
	$1,497,141		$1,469,610		$ 27,531

Revenues were higher in 2012 over 2011 by $27.5 million due to several factors. One of the major reasons for the change was taxation revenues. Included in taxation revenues are municipal realty taxes which increased by $23.4 million year-over-year due to assessment roll growth and a 3.5% increase in property tax rates.

Sales of services and regulatory fees rose due to a $12.8 million increase reported in water and sewer sales resulting from increased rates. The Transit System realized $2.7 million more in regular transit fare revenue due to a 3% increase in revenue-generating passengers, in part due to the opening in 2012 of Stage One of the Rapid Transit Corridor. Regular cash fares also increased by five cents.

Government transfers related to the acquisition of tangible capital assets declined in 2012 mainly because PPP Canada's 2011 contribution of $22.2 million toward the Chief Peguis Trail Extension Project was a one-time contribution. As well, the Province of Manitoba's (the "Province") revenue for road improvements decreased by $11.7 million. These are partially offset by the Federal Gas Tax Reserve Fund that reported a $22.4 million increase in revenue attributed to higher eligible capital projects.

Developer contributions-in-kind reported in the Waterworks System and Sewage Disposal System Funds increased by $10.2 million because more work was completed in 2012. Other revenues decreased from the prior year mainly due to Assiniboine Park Conservancy Inc. being prospectively reported in the 2011 Statements.

Consolidated Expenses
For the years ended December 31

(in thousands of dollars)	2012		2011		Variance
Protection and community services	$ 416,265	32%	$ 388,089	30%	$ 28,176
Utility operations	338,028	26%	334,154	26%	3,874
Public works	283,042	22%	287,847	23%	(4,805)
Property and development	105,685	8%	103,436	8%	2,249
Finance and administration	71,390	5%	70,404	6%	986
Civic corporations	51,518	4%	47,257	4%	4,261
General government	33,795	3%	42,047	3%	(8,252)
	$1,299,723		$1,273,234		$ 26,489

Consolidated expenses grew by $26.5 million or 2% from the previous year. The protection and community services expense category includes the Police Service, Fire Paramedic Service, Community Services and Museums. The Police Service and Fire Paramedic Service departments reported additional salaries and employee benefits of $29.4 million over the previous year.

General government expenses decreased primarily in the areas of employee benefits such as workers' compensation, slower growth in the retirement allowance accrued obligation and long-term disability payments.

Consolidated Expenses By Object
For the years ended December 31

(in thousands of dollars)	2012		2011		Variance
Salaries and benefits	$ 695,849	54%	$ 664,221	52%	$ 31,628
Goods and services	344,217	26%	357,008	28%	(12,791)
Amortization	188,432	15%	175,765	14%	12,667
Interest	53,587	4%	43,954	3%	9,633
Other expenses	17,638	1%	32,286	3%	(14,648)
	$1,299,723		$1,273,234		$ 26,489

Increases in salaries and benefits resulted primarily from a greater number of police officers and cadets added to the service, negotiated pay increases and increased contributions for pension benefits. Other expenses decreased for various reasons including grants paid to community groups in 2011 not repeating in 2012.

Budget Comparison

The Statements include a consolidated budget, which provides additional transparency and accountability. Budgets are used extensively throughout the City, and each Fund has its own budget that is prepared by the department. Each year, both an operating and a capital budget are approved by City Council. Both budgets contain multi-year views. The capital budget includes six years of budget information, including the current year adopted budget and five years of forecasts. The operating budget contains three years of budget information, including the current year adopted budget and two years of forecasts. The current year budget and information obtained from the City's controlled and government business entities are also used to prepare the consolidated budget, which is then presented to City Council along with the operating budget.

There are four major steps in the budget process. The first step is public consultation. Ideas and comments are solicited from the public. The level and extent of consultation may vary depending on the year. An annual citizen service satisfaction survey is also undertaken.

The next step is the initial budget development. The projections from the previous year's adopted budget form the guidelines for the budget's development. These guidelines are then updated to reflect recent City Council approvals and any new developments that would impact the budget. Budgets are updated by the departments and submitted for administrative review and corporate compilation.

Step three is the tabling of the preliminary budgets. The Executive Policy Committee ("EPC"), which is a committee of City Council, is responsible for budget development. The 2012 Preliminary Capital Budget and 2013 - 2017 Five-Year Forecast was tabled at a meeting of EPC on November 22, 2011. The Preliminary 2012 - 2014 Operating Budget was tabled at a meeting of EPC on February 28, 2012.

EPC refers the preliminary operating and capital budgets to the City's Standing Policy Committees, which are also committees of City Council, for review and recommendations. Each Standing Policy Committee - Protection and Community Services, Infrastructure Renewal and Public Works, and Property and Development - reviews the part of the budget related to its jurisdiction. The Committees hear presentations by departments. Members of the public may also make presentations at these meetings.

EPC receives public delegations and reviews the recommendations from the Standing Policy Committees. Recommendations are finalized by EPC and forwarded to City Council.

Consolidated Revenues For the years ended December 31 (in thousands of dollars)	Budget 2012		Actual 2012		Variance
Taxation	$ 587,519	39%	$ 587,578	39%	$ 59
Sales of services and regulatory fees	470,348	31%	483,339	32%	12,991
Government transfers					
Operating	161,673	11%	158,975	11%	(2,698)
Capital	122,506	8%	121,262	8%	(1,244)
Investment, land sales and other revenues	101,319	7%	73,762	5%	(27,557)
Developer contributions-in-kind	58,000	4%	72,225	5%	14,225
	$1,501,365		$1,497,141		$ (4,224)

The 2012 revenue from the sales of services and regulatory fees is over budget mainly because of increased permit revenues due to robust construction activity. The number of non-residential building permits rose by 6% and the value of building permits increased by 45% compared to 2011. Meanwhile, residential permits were down 1%, however, their value increased by 22%. As well, the Waterworks System and Sewage Disposal System Funds reported revenues that were $6.8 million over budget mainly because of increased consumption caused by the hot summer weather conditions.

The negative budget variance for investment, land sales and other revenues can be primarily attributed to fewer land sales concluding than expected.

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

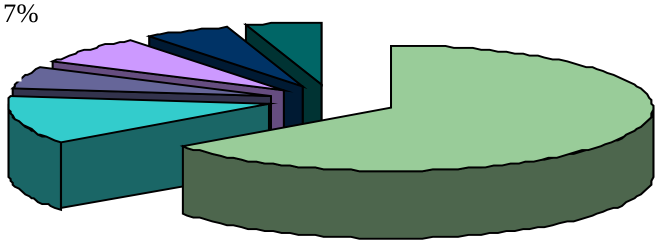
Consolidated Expenses For the years ended December 31 (in thousands of dollars)	Budget 2012		Actual 2012		Variance
Protection and community services	$ 415,871	31%	$ 416,265	32%	$ (394)
Utility operations	353,364	26%	338,028	26%	15,336
Public works	280,998	21%	283,042	22%	(2,044)
Property and development	132,165	10%	105,685	8%	26,480
Finance and administration	80,102	5%	71,390	5%	8,712
Civic corporations	48,649	4%	51,518	4%	(2,869)
General government	47,179	3%	33,795	3%	13,384
	$1,358,328		$1,299,723		$ 58,605

The utility operations' expenses were $15.3 million less than budgeted. One of the reasons for this is that costs in some of the Sewage Disposal System Fund's programs such as the "Basement Flooding Protection Subsidy Program" and land drainage were lower than expected. As well, the Solid Waste Disposal Fund was under budget on its service contract expenses.

Property and development includes costs associated with land sales. Both revenues and associated costs were under budget as a result of fewer sales being finalized by year-end. General government charges were lower than budget due to reduced employee benefit costs.

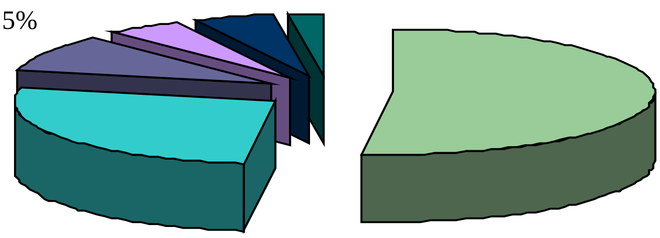
General Revenue Fund

The General Revenue Fund (commonly referred to as the tax-supported fund) represents approximately 48% of the City's combined expenses. The 2012 budget for tax-supported operations was adopted by City Council on March 20, 2012. This budget included a 3.5% increase in property taxes after fourteen consecutive years of freezes and reductions. As well, the budget included an enhanced small business tax credit program of $3.9 million to eliminate the business tax for 40.5% of all businesses. The budget continued to focus on finding efficiencies.



General Revenue Fund 2012 Actual Revenues

During 2012, the General Revenue Fund incurred revenues and expenses of $898.6 million (2011 - $869.6 million). Several unexpected events occurred that impacted the financial results of the tax-supported operations, including: increased permit revenues; corporate expenses that were lower than anticipated because of adjustments to accounting provisions as well as reduced Corporate employee benefits costs; and investment interest revenue that was higher than anticipated. These factors were offset by higher costs incurred by the Police Service along with revenue shortfalls that were experienced by the Fire Paramedic Service. The end result was a transfer of $15.9 million to the General Purpose Reserve Fund, as approved by City Council on December 12, 2012.



General Revenue Fund 2012 Actual Expenses

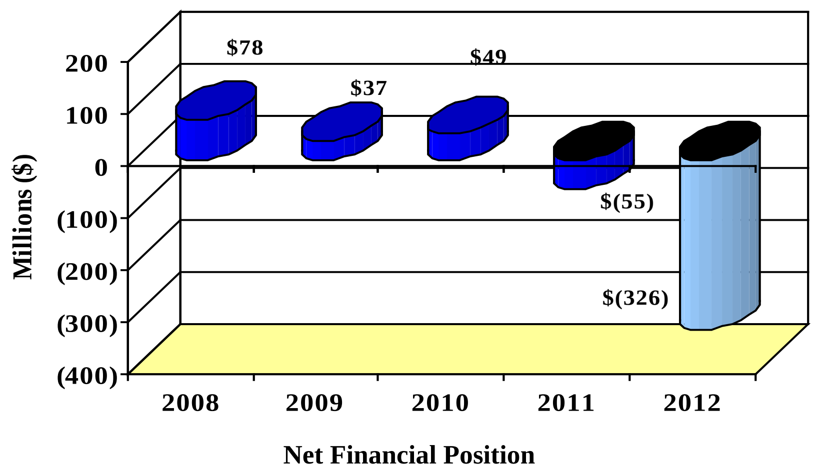
Financial Position

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2012, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments. The Consolidated Statement of Financial Position highlights four key indicators that describe the City's financial position at the financial statement date. These indicators are: cash resources; net financial position; non-financial assets; and accumulated surplus.

Cash and Cash Equivalents

The cash resources of the City are its cash and cash equivalents. Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. During 2012, the City's cash decreased by $45.3 million. This decrease resulted primarily from cash invested in tangible capital assets exceeding cash generated through operating and financing activities.

Net Financial Position



Net financial position is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2012, the City was in a net financial liability position of $325.6 million (2011 - $55.2 million). The change in net financial position during the year resulted primarily from the assumption of debt for investment in tangible capital assets.

Non-Financial Assets

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

The acquisition of tangible capital assets is the result of a capital budget plan. The challenge in creating a capital budget is balancing infrastructure needs and protecting the environment while ensuring fiscal responsibility. On December 13, 2011, City Council adopted the 2012 annual capital budget and the 2013 to 2017 five-year forecast. The six-year plan authorizes over $2.3 billion in City capital projects, with $393.2 million earmarked in 2012. Some of the projects included in the 2012 capital budget are: total street projects of $149.9 million, including $77.0 million - Plessis Road twinning and grade separation over the Canadian National Rail line, $30.9 million - regional and local streets renewal, $11.5 million - Sturgeon Road Bridge

(Sturgeon Creek), and $5.8 million - Osborne Street Bridge (Assiniboine River); $49.5 million - East Yard Complex development; $13.5 million - transit buses; and $9.6 million - redevelopment of Assiniboine Park through the Assiniboine Park Conservancy Inc.

Also included in the capital investment plan over the six-year period is anticipated funding of $243.3 million under the Federal Gas Tax Agreement, $249.2 million of provincial funding and $446.9 million of cash funding.

During 2012, the City spent $654.0 million on tangible capital assets (2011 - $486.3 million), which included $479.9 million for tax-supported projects (73%). Spending on tax-supported projects was primarily on roads and bridges.

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less estimated residual value of the tangible capital assets, is amortized on a straight-line basis over the assets' estimated useful lives, ranging from 5 to 100 years.

Roads and underground networks contributed to the City totalled $72.2 million (2011 - $58.6 million), and were capitalized at their fair value at the time of receipt. Interest costs of $3.0 million (2011 - $2.6 million) have also been capitalized.

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

Tangible Capital Assets
As at December 31

(in thousands of dollars)	2012	2011
General		
Land	$ 211,731	$ 202,897
Buildings	321,653	318,846
Vehicles	176,634	178,251
Computer	35,271	40,754
Other	164,657	120,934
Infrastructure		
Plants and facilities	594,574	598,277
Roads	1,102,727	987,930
Underground and other networks	1,864,604	1,815,433
Bridges and other structures	522,596	384,570
	4,994,447	4,647,892
Assets under construction	209,178	99,903
	$5,203,625	$4,747,795

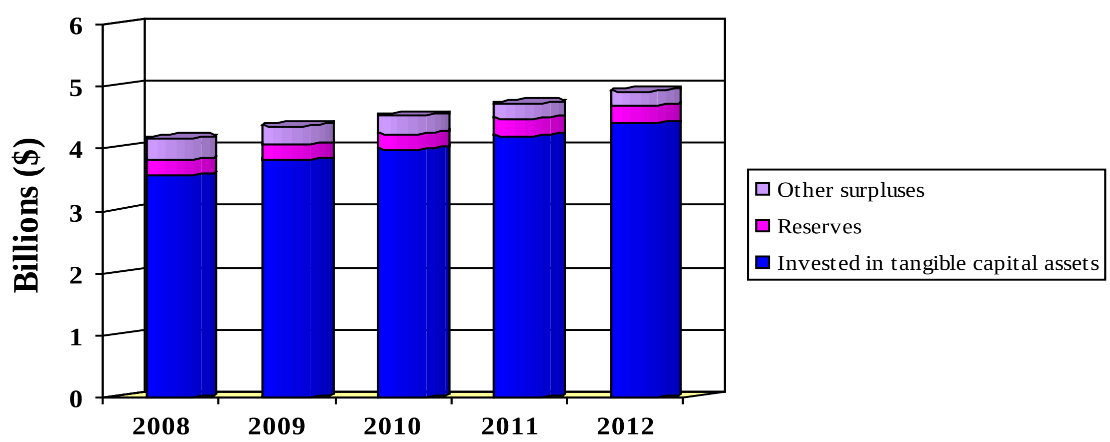
Tangible Capital Assets by Fund
As at December 31

(in thousands of dollars)	2012		2011	
General Capital Fund	$3,015,008	58%	$2,653,033	56%
Waterworks System Fund	871,827	17%	860,975	18%
Sewage Disposal System Fund	835,317	16%	814,124	17%
Transit System Fund	291,368	6%	270,709	6%
Other Funds and Entities	190,105	3%	148,954	3%
	$5,203,625		$4,747,795	

Accumulated Surplus

Another important financial indicator on the Consolidated Statement of Financial Position is the accumulated surplus position. The accumulated surplus represents the net assets of the City, and the yearly change in the accumulated surplus is equal to the annual excess of revenues over expenses for the year (results of operations or annual surplus).

Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and legal liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2012 - 90%; 2011 - 89%). The investment in tangible capital assets represents the unamortized cost of the tangible capital asset which will be reported as an expense in future accounting periods, except for land. Land is non-depreciable property due to its infinite life. Investment in tangible capital assets is not readily accessible for use in funding obligations.



Accumulated Surplus

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

Accounts Receivable

The largest component of accounts receivable is trade accounts and other receivables at 53% (2011 - 53%). Approximately 43% of trade accounts and other receivables results from services rendered in the Waterworks System and Sewage Disposal System. Management has determined credit risk to be low on the outstanding receivables in these two Funds and has provided an allowance for doubtful accounts of $401 thousand (2011 - $404 thousand).

As at December 31, 2012, property, payments-in-lieu and business tax receivables, net of the estimated allowance for uncollectible amounts, represented 17% (2011 - 16%) of total receivables. Taxation revenue is 39% (2011 - 39%) of total consolidated revenues.

Taxes Receivable
As at December 31

(in thousands of dollars)	2012	2011	2010	2009	2008
Taxes receivable	$ 37,960	$ 34,747	$ 34,387	$ 30,036	$ 29,893
Allowance for tax arrears	(3,351)	(2,629)	(3,080)	(3,784)	(3,657)
	$ 34,609	$ 32,118	$ 31,307	$ 26,252	$ 26,236

Investments

As at December 31

(in thousands of dollars)	2012	2011
Marketable securities		
Provincial	$ 6,713	$ 6,680
Municipal	75,726	61,475
	82,439	68,155
Manitoba Hydro long-term receivable	220,238	220,238
Other	1,172	4,102
	$ 303,849	$ 292,495
Market value of marketable securities	$ 86,221	$ 72,927

During 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale included annual payments commencing in 2002, which declined gradually to $16 million annually thereafter in perpetuity starting in 2011. The accounting value of the investment is based on the discounted sum of future cash flows that have been guaranteed by the Province. The long-term receivable has been fixed at the December 31, 2010 value, which coincides with the payments remaining at $16 million in perpetuity.

Marketable securities are generally long-term in nature. These securities are being held to finance future anticipated costs such as perpetual maintenance at the three cemeteries maintained by the City. City Council has approved an Investment Policy to provide the Public Service with a framework for managing its investment program. The Investment Policy provides guidance and parameters for developing a portfolio strategy; a performance measurement section, including benchmarks and objectives; an enhanced reporting framework; and additional categories of investments that can be made. Safety of principal remains the overriding consideration for investment decisions. Consideration is also given to risk/return, liquidity and the duration and convexity of the portfolio.

Debt

As at December 31 (in thousands of dollars)	2012	2011
Sinking fund debentures	$ 688,000	$ 563,000
Equity in sinking funds	(264,037)	(242,528)
	423,963	320,472
Serial and installment debt	56,884	78,332
Bank, Province of Manitoba and other loans	116,427	83,108
Capital lease obligations	26,592	26,488
Service concession arrangement obligations	158,759	50,000
	782,625	558,400
Unamortized premium on debt	10,536	-
	$ 793,161	$ 558,400

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

These annual sinking fund payments are invested primarily in government and government-guaranteed bonds and debentures. By investing in bonds and debentures of investees that are considered to be high quality, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations.

During 2012, the City issued two sinking fund debentures - $50.0 million and $75.0 million. These debt instruments carry a 3.9% and 3.8% interest rate, respectively, and both will mature on November 15, 2051.

Debt Retired Over The Next Five Years

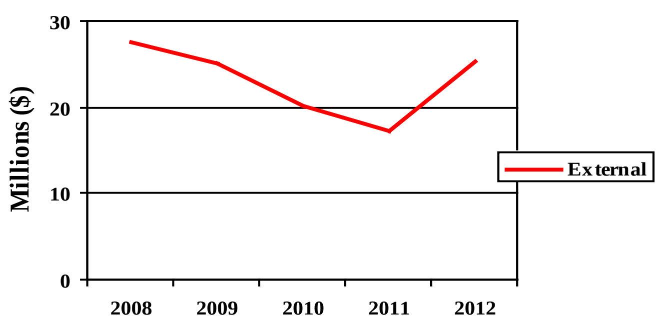
As at December 31 (in thousands of dollars)	2013	2014	2015	2016	2017	Thereafter
Sinking fund debentures	$ 90,000	$ 85,000	$ 88,000	$ -	$ 30,000	$ 395,000
Other debt	70,717	24,327	19,813	22,231	15,274	206,300
	$ 160,717	$ 109,327	$ 107,813	$ 22,231	$ 45,274	$ 601,300

The City has also incurred serial and installment debt having varying maturities up to 2019, and carrying a weighted average interest rate of 4.7% (2011 - 4.8%). Annual interest and principal payments are made on the debt to the investors. In addition, the City has guaranteed the payment of principal and interest on capital loans totalling $6.6 million (2011 - $6.9 million) for several third parties. The City does not anticipate incurring future payments relating to these guarantees.

Included in the bank, Province of Manitoba and other loans category is debt outstanding to the Canada Mortgage and Housing Corporation ("CMHC"). As at December 31, 2012, the amount outstanding to CMHC was $12.1 million, which is comprised of two debt issues. The first loan agreement - $9.2 million, has a maturity date of February 1, 2026 and an interest rate of 3.7%. This loan is for the replacement or building of new fire paramedic stations at four locations throughout the city. The second loan agreement - $2.9 million, has a maturity date of October 1, 2025, an interest rate of 3.4% and is for the replacement of water lines that have a history of freezing during the cold winter months and that are failing due to age and material.

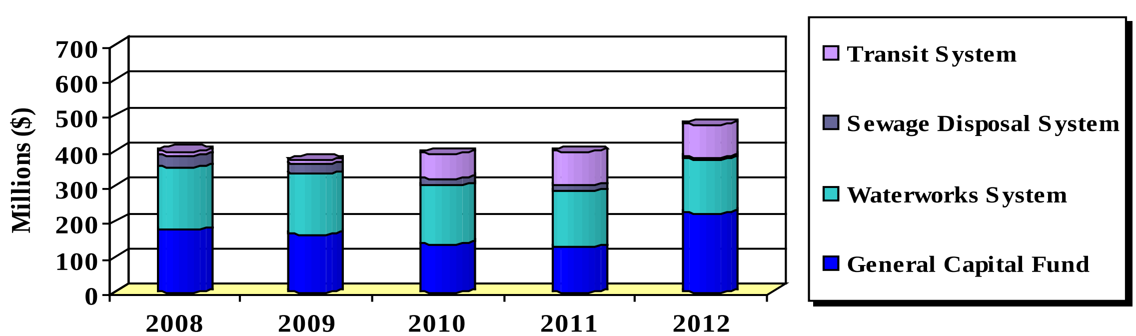
Late in 2012, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was attributed to "robust liquidity, stable and highly diversified economy, and healthy budgetary performance". However, S&P noted these strengths are offset somewhat by limited budgetary flexibility and an expected increase in debt levels resulting from Winnipeg's capital plan. Moody's Investors Service announced on March 14, 2013 it would also be maintaining the City's credit rating at Aa1.

These debt ratings contribute to the City's ability to access capital markets and to obtain competitive and comparable borrowing terms to other cities.



General Capital Fund
Interest Expense

During 2012, the General Capital Fund experienced a sharp increase in interest expense due to the near completion of the Disraeli and Chief Peguis Trail projects. The interest expense that is reported in the General Capital Fund is funded by the General Revenue and Federal Gas Tax Revenue Reserve Funds.



Net Sinking Fund Debentures, Serial and Installment Debt

In addition, the 2005 to 2013 capital budgets for the utilities and their 2014 to 2018 capital forecasts anticipate $659.3 million of future debt to fund projects mandated by the Province. During 2003, at the request of the Minister of Conservation, the Clean Environment Commission ("CEC") conducted public hearings to receive and review comments on the City's wastewater collection and treatment improvement program. The CEC made several recommendations to upgrade and improve the wastewater collection and treatment systems, which were subsequently supported by the Minister of Conservation. In response, Manitoba Conservation issued Environment Act Licences to the City for the North End, West End, and South End Sewage Treatment Plants. The Licences place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan. In addition, in 2011, “The Save Lake Winnipeg Act” (Bill 46) was passed, which further enforces limits and imposes treatment options for the North End Sewage Treatment Plant. With this direction, a wastewater upgrade program is underway, which will address nutrient control, combined sewer overflow mitigation and biosolids management. Based on preliminary assessments, the upgrade program is estimated to cost between $1.2 to $1.8 billion depending on market factors and interpretation of compliance requirements.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve (which had a balance of $58.9 million at December 31, 2012), the Canada Strategic Infrastructure Fund ("CSIF") and accumulated surplus.

The Disraeli Bridges and Chief Peguis Trail Extension are major infrastructure projects that have been constructed using a design, build, finance and maintain model ("DBFM"). Plenary Roads Winnipeg GP ("PRW") was chosen to deliver a replacement to the Disraeli Bridges. The Disraeli Bridges Project was commissioned for use in 2012 with decommissioning of the old structures and construction of a separate pedestrian bridge to follow in 2013. Therefore, the service concession asset and debt were recognized in the 2012 Statements.

Key features of the project include:

- An undertaking that during construction, traffic not be interrupted at peak travel times;
- Replacement of the existing bridges by new structures;
- Realignment of the roadway and redesign of the exits and entrances to allow for smoother traffic and pedestrian flow; and
- Construction of a separate new pedestrian bridge utilizing the existing facility's river bridge piers.

The $195.0 million project will have been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and cash consideration paid by the City of $10.6 million. As at December 31, 2012, $169.4 million was capitalized for commissioned works. A total amount of $14.3 million is included for the pedestrian bridge and final roadwork expected to be completed in 2013. Monthly capital and interest performance-based payments for the service concession obligation to PRW, totalling $9.8 million annually, commenced in October 2012, with the commissioning of the project. These payments are to continue to the termination of the contract with PRW, along with monthly performance-based maintenance payments of $1.7 million annually to be adjusted by the Consumer Price Index.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the $195.0 million project is 5.2%. Deloitte completed a final Value for Money ("VFM") for this project. A VFM assessment is a comparison of the costs of delivering an infrastructure project under a service concession arrangement as opposed to a "traditional" procurement method such as design, bid, build. It is designed to quantify the best overall value solution to the taxpayer.

Staff from the City, with in-depth knowledge concerning these types of projects, provide the input necessary to quantify the risks associated with the various project delivery methodologies. Throughout the process, there are checkpoints to quantify the VFM to ensure that the proposed arrangement remains beneficial to the City. Estimated savings of $47.7 million compared against the traditional form of infrastructure procurement, a 17.1% savings.

DBF2 Limited Partnership was chosen to design, build, finance and maintain the Chief Peguis Trail Extension, which was opened for use December 2, 2011, approximately one year ahead of schedule. The service concession asset and debt were originally recognized in the 2011 Statements.

Key features of the project include:
- A grade separation at Rothesay;
- Active transportation pathways including a separate new active transportation bridge at Gateway; and
- Significant investment in sound attenuation and landscaping.

The $108.5 million project was financed through a grant of $23.9 million from PPP Canada, a Provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.9 million. As at December 31, 2012, $104.7 million was capitalized for commissioned works under this service concession arrangement. Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2, along with monthly performance-based maintenance payments of $1.4 million annually to be adjusted by the Consumer Price Index.

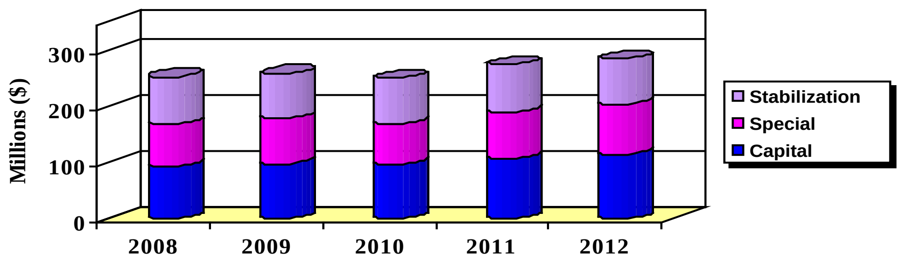
One of the benefits of pursuing the DBFM approach was that PPP Canada could participate in the project. Considering the government transfer from that organization along with the other financing on the project, the effective interest rate on the project as a whole was 4.6%. Deloitte also prepared a final VFM for this project, demonstrating that the DBFM approach provided the City with estimated savings of approximately $31.0 million against the traditional form of infrastructure procurement, a 17.6% saving.

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

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

Reserves

Reserve balances have increased overall by $10.5 million (2011 - $24.1 million) from the prior year. The City's Special Purpose Reserves and Capital Reserves balances increased by $8.2 million and $7.2 million, respectively, while the Stabilization Reserve decreased by $4.9 million. Even with the decrease, the Stabilization Reserve's accumulated surplus is still $8.4 million over its targeted level of 8% of the General Revenue Fund's adopted budget expenses.



Reserves

Effective January 1, 2013, a new reserve will be established to track dedicated revenue for the sole purpose of funding the renewal of local streets, back lanes and sidewalks. The long-term proposal, subject to annual City Council approval, is to fund the Local Street Renewal Reserve Fund by dedicated annual 1% property tax increases over eight years. In the ninth year the funding from property tax increases would be 0.5% with the introduction of a $0.25 increase in the current frontage levy. The current frontage levy is $3.75 per foot frontage, which is proposed to increase annually commencing in 2022 by $1.00 per frontage foot for approximately 13 years.

Financial Indicators

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

Indicators of Financial Condition As at December 31	2012	2011	2010	2009	2008
Sustainability indicators					
Assets-to-liabilities	4.85	5.62	6.00	6.05	5.88
Financial assets-to-liabilities	0.75	0.95	1.05	1.04	1.09
Flexibility indicators					
Public debt charges-to-revenues	0.04	0.03	0.03	0.04	0.04
Own-source revenues-to-taxable assessment	0.02	0.02	0.02	0.03	0.03
Vulnerability indicators					
Operating government transfers-to-operating revenues	0.12	0.13	0.12	0.12	0.11
Total government transfers-to-total revenues	0.19	0.20	0.19	0.19	0.17

Sustainability is the degree to which the City can maintain its existing services and meet its financial commitments without increasing the relative debt or tax burden on the economy. Sustainability indicators include the City's assets-to-liabilities ratio, which exceeds one in 2012 and the previous four years. This positive ratio indicates the City has not been financing its operations by issuing debt. In 2011, the financial assets-to-liabilities ratio dipped below one, indicating that some future financial resources may be required to meet current obligations. At a current ratio of .75, the City can cover any shortfall were it to arise. The City's net financial position changed mainly because of total liabilities increasing year-over-year by $253.6 million while financial assets remained relatively constant. One of the major reasons for the increase in liabilities is new debt. Even though the equity in the sinking funds increased by $21.5 million, the City incurred a service concession arrangement obligation of $109.2 million and $25.0 million of sinking fund debentures for the Disraeli Bridges project. The City also issued an additional $100.0 million in sinking fund debentures to fund the police headquarters and the East Yards.

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

Flexibility is the degree to which the City can issue more debt or increase taxes to meet its existing financial and service commitments. The City's public debt charges (interest expense)-to-revenues has remained constant over the past several years at a level between 0.03 to 0.04. This trend indicates the City has chosen to rely upon other sources of revenues such as transfers from senior levels of government instead of borrowing to meet its financial and service commitments and it also reflects the rate of interest on debt instruments has declined over the past several years. Another flexibility indicator is the ratio of own-source revenues-to-taxable assessment. This ratio has remained constant over the last few years, with a drop in 2010 due to the revaluation (general property reassessment) of property values. As well, this ratio reflects the City's policy of not raising property taxes for an unprecedented 14 years, with an increase of 3.5% in

2012. This indicates the City has not reduced its flexibility to access own-source revenues in the future.

Vulnerability is the degree to which the City is dependent on sources of funding outside its control or influence, or is exposed to risks that could impair its ability to meet financial and service commitments. The government transfers-to-total revenues ratio indicates the proportion of revenues that the City receives from the senior levels of government. Over the past several years, this ratio has remained relatively constant.

On June 22, 2011, City Council approved the Debt Strategy for the City. The following table provides the City Council-approved limits, the debt metrics as at December 31, 2012 and the forecasted peak based on the City Council-approved borrowing and 2013 Capital Budget and Five-Year Forecast:

Debt Metrics	Maximum	As At December 31, 2012	Forecasted Peak
Debt as a % of revenue			
City	85.0%	52.1%	64.3%
Tax-supported and other funds	60.0%	43.8%	58.3%
Self-supporting utilities	220.0%	56.7%	153.2%
Debt-servicing as a % of revenue			
City	11.0%	4.7%	6.5%
Tax-supported and other funds	10.0%	5.1%	6.1%
Self-supporting utilities	20.0%	8.9%	12.7%
Debt per capita			
City	$2,050	$1,110	$1,699
Tax-supported and other funds	$1,050	$831	$1,049
Self-supporting utilities	$950	$248	$711

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

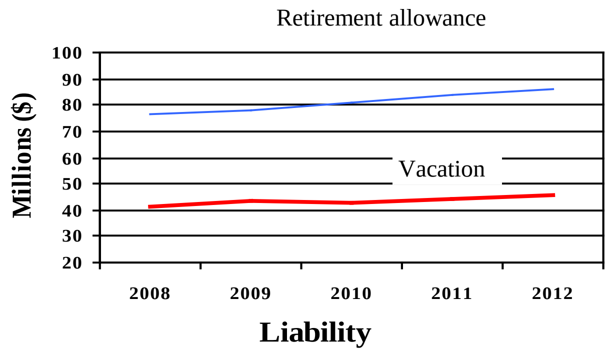
Accounting Policies

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

Employee Benefits

The City provides pension, group life insurance, sick leave and severance pay benefit plans for qualified employees. The cost of these employee benefits is actuarially determined each year. These calculations use management's best estimate of a number of assumptions including the long-term rate of investment return on plan assets, inflation, salary escalation, the discount rate used to value liabilities and certain employee-related factors such as turnover, sick leave utilization, retirement age and mortality. Management applies judgment in the selection of these assumptions based on past experience and on forecasts of future economic and investment conditions. As these assumptions relate to factors that are long-term in nature, they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as revisions to the assumptions resulting from changes in future expectations, may lead to adjustments to the City's pension, sick leave and severance pay benefits expense reported in future financial statements.

The City contributes to a number of pension plans. The two major plans are The Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan. The Winnipeg Civic Employees' Benefits Program has similar characteristics to a defined contribution pension plan in that it is a multi-employer benefits program governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. This structure limits the City's exposure to future unfunded liabilities.



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

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

The future service cost of the Winnipeg Civic Employees’ Benefits Program in 2012 is 20.5% of pensionable earnings.

The Winnipeg Police Pension Plan is a defined benefit plan to which the members contribute 8% of pensionable earnings, with the City being responsible for any unfunded liabilities. As at December 31, 2012, the market value of this pension fund's assets was $953.3 million (2011 - $894.6 million), which is $27.1 million less (2011 - $38.9 million less) than the accrued pension obligation.

The cost of guaranteed benefits accrued under this Plan is 22.1% of pensionable earnings. Until May 2012, the Plan's financial status allowed the City to match the employees' contribution rate of 8% of earnings. Under the Plan terms, the cost in excess of 16% was funded by this Plan's Contribution Stabilization Reserve. This was also compliant with pension legislation as long as the funding excess exceeds 5% of solvency liabilities. If the funding excess falls below this limit, contributions must cover the full cost of benefits. This minimum limit was no longer met as of May 2012 and, as such, the employer's contribution rate increased to 14.1%.

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

Tangible Capital Assets

The City's management makes estimates about the expected useful lives, projected residual values and the potential for impairment of its tangible capital assets. In estimating the lives and expected residual values of assets, reliance is placed mainly on experience with the asset. Revisions to the estimates of the asset can be caused by maintenance and renewal expenditures that may result in a change in service levels, and can affect the life expectancy of the asset. Management evaluates these estimates and potential impairment on all tangible capital assets annually, and when events and circumstances indicate that the assets may be impaired. The effects of maintenance and renewal of tangible capital assets is considered when the reduction in the estimated useful life is expected to be permanent.

Environmental Matters

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

Business Risks

Labour Negotiations

For the year ended December 31, 2012, 54% (2011 - 52%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,080, the majority being represented by the eight unions and associations noted as follows:

Union/Association	Average Annual Headcount	Agreement Expiry Date
ATU	1,334	January 17, 2015
CUPE	4,618	December 27, 2014
MGEU	312	February 13, 2014
UFFW	923	December 26, 2013
WAPSO	641	October 11, 2011
WFPSOA	44	August 27, 2011
WPA	1,956	December 23, 2012
WPSOA	32	December 19, 2012

ATU - Amalgamated Transit Union Local 1505; CUPE - Canadian Union of Public Employees Local 500; MGEU - Manitoba Government and General Employees' Union The Paramedics of Winnipeg Local 911; UFFW - United Fire Fighters of Winnipeg Local 867; WAPSO - Winnipeg Association of Public Service Officers; WFPSOA - Winnipeg Fire Paramedic Senior Officers' Association; WPA - Winnipeg Police Association; and WPSOA - Winnipeg Police Senior Officers' Association

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

Financial Accountability

The City's Audit Department plays a key role in providing independent assurance regarding the performance of civic services in support of open, transparent and accountable government. In 2012, the Audit Department conducted two performance audits of the Winnipeg Police Service ("WPS"). The first project involved the WPS' professional services contract with the Winnipeg Airports Authority. Recommendations were made to improve the contract by clarifying language regarding service expectations and compensation. The second project was an audit of the WPS civilianization efforts. Recommendations were made to develop and implement a civilian staffing strategy complete with objective criteria, a formal review process and measurable goals. Other recommendations included addressing the wage disparity between WPS civilian staff and other City staff in comparable positions. The Audit Department conducted several other performance audits in 2012 and the reports can be found on the City’s website.

The Fraud Hotline commenced operations in April 2012. This initiative reflects the City’s proactive efforts to ensure and demonstrate its commitment to corporate accountability, transparency, responsibility, and sound and ethical operating practices. It supports a high level of integrity of City employees in the workplace, and also protects City property, resources and information. The Fraud Hotline is a confidential and anonymous service that allows staff to report complaints 24 hours a day, 7 days a week. Accessibility to the hotline will be expanded to include access to citizens in 2013.

In the fall of 2012, the Audit Department was requested to manage operational reviews of the WPS and the Public Works Departments. In addition, the Audit Department launched a review of the new Fire Paramedic Stations construction project and a real estate management audit. These four projects are being conducted by external firms and the report from each of the reviews will be released in 2013.

Accounting Pronouncements

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

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

Looking Forward

On January 29, 2013, City Council adopted both budgets for The City of Winnipeg – the 2013 annual capital budget and 2014 to 2018 five-year forecast, and the 2013 to 2015 operating budget. This is the first time both budgets have been approved together. Combining the tabling of the budgets and the processes resulting in their development allows for better integration, supporting improved decision-making. This approach also facilitates an earlier adoption of the operating budget.

The 2013 annual capital budget and the 2014 to 2018 five-year forecast authorize over $2.4 billion in City capital projects, with $374.7 million earmarked in 2013. Some of the projects included in the 2013 capital budget are: total street projects of $109.1 million, including, $50.4 million - regional and local streets renewal, $30.0 million - Polo Park infrastructure improvements, $9.3 million - Waverley West Arterial Roads, and $7.4 million - Panet Road/Molson Street twinning Munroe Avenue to Grassie Boulevard; $14.8 million - transit buses; $12.6 million - redevelopment of Assiniboine Park and infrastructure and sustainability through Assiniboine Park Conservancy Inc.; and $6.8 million - library facility redevelopment. Section 284(2) of The City of Winnipeg Charter requires that before December 31st of each fiscal year, City Council must adopt a capital budget for that year and a capital forecast for the next five fiscal years.

The 2013 operating budget includes a 1.0% property tax increase dedicated solely to establish a new reserve called the Local Street Renewal Fund and a 2.87% property tax increase to address inflationary pressures and increased service costs. The 2013 budget plan also includes the continuation of the small business tax credit program to provide a full municipal business tax rebate for 41.4% of all businesses. The budget remains focused on the continued priorities of public safety and city streets. Section 284(1) of The City of Winnipeg Charter requires City Council to approve the tax-supported budget before March 31st of each fiscal year.

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

	2013	2012	2011	2010	2009
Revenues					
Property tax	$ 482,885	$ 459,564	$ 435,934	$ 431,113	$ 428,692
Government transfers	113,050	113,265	106,106	102,768	101,663
Sale of goods and services	67,788	62,761	58,146	76,142	73,772
Frontage levy and other taxation	63,363	70,072	71,726	63,198	46,107
Business tax	58,371	57,584	57,584	57,584	57,584
Transfer from other funds	46,586	52,309	38,203	40,631	32,940
Regulation fees	40,852	37,634	36,540	35,385	37,272
Interest	11,432	11,394	9,245	10,142	9,328
Other	38,345	35,377	33,840	723	1,372
	922,672	899,960	847,324	817,686	788,730
Expenses					
Police service	242,548	220,184	202,173	189,909	178,997
Public works	181,976	169,043	170,157	161,509	166,132
Fire paramedic service	167,888	154,750	143,013	137,648	129,452
Community services	111,691	112,793	100,479	103,479	98,869
Corporate	48,825	59,166	63,891	59,437	60,367
Planning, property and development	42,064	41,221	38,353	38,791	39,104
Water and waste	33,703	44,052	34,695	33,823	30,093
Corporate support services	31,147	31,312	30,899	33,079	30,541
Assessment and taxation	18,209	25,572	23,841	22,565	17,987
Street lighting	11,618	11,100	10,685	10,854	10,520
City clerk's	10,930	10,897	10,316	11,913	12,475
Corporate finance	9,412	8,547	8,074	7,543	7,288
Other departments	12,661	11,323	10,748	7,136	6,905
	922,672	899,960	847,324	817,686	788,730
	$ -	$ -	$ -	$ -	$ -

Prior year figures have not been reclassified to conform with the 2013 figures.

Request for Information

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

M. Ruta

Michael Ruta, FCA
Chief Financial Officer

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian public sector accounting standards.

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

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

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

Michael Ruta, FCA
Chief Financial Officer

KPMG

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

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Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The City of Winnipeg ("the City"), which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The City of Winnipeg as at December 31, 2012, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

May 22, 2013

Winnipeg, Canada

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

		2012		2011
FINANCIAL ASSETS				
Cash and cash equivalents (Note 3)	$	**392,041**	$	437,346
Accounts receivable (Note 4)		**208,579**		197,927
Land held for resale		**13,664**		14,861
Investments (Note 5)		**303,849**		292,495
Investment in government businesses (Note 6)		**31,446**		23,783
		949,579		966,412
LIABILITIES				
Accounts payable and accrued liabilities (Note 7)		**205,789**		186,463
Deferred revenue (Note 8)		**55,079**		64,825
Debt (Note 9)		**793,161**		558,400
Other liabilities (Note 10)		**56,990**		55,435
Accrued employee benefits and other (Note 11)		**164,165**		156,465
		1,275,184		1,021,588
NET FINANCIAL LIABILITIES		**(325,605)**		(55,176)
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 13)		**5,203,625**		4,747,795
Inventories		**15,977**		16,385
Prepaid expenses and deferred charges		**18,511**		6,086
		5,238,113		4,770,266
ACCUMULATED SURPLUS (Note 14)	**$**	**4,912,508**	$	4,715,090

Commitments and contingencies (Notes 10, 15 and 16)

See accompanying notes and schedules to the consolidated financial statements

Approved on behalf of the Audit Committee:

MAYOR

CHAIRPERSON
STANDING POLICY COMMITTEE
ON FINANCE

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
REVENUES			
Taxation (Note 16)	$ **587,519**	$ **587,578**	$ 563,779
Sales of services and regulatory fees (Note 17)	**470,348**	**483,339**	460,452
Government transfers (Note 18)	**161,673**	**158,975**	159,475
Investment income	**37,844**	**40,865**	40,449
Land sales and other revenue (Note 6)	**63,475**	**32,897**	48,269
Total Revenues	**1,320,859**	**1,303,654**	1,272,424
EXPENSES			
Protection and community services	**415,871**	**416,265**	388,089
Utility operations	**353,364**	**338,028**	334,154
Public works	**280,998**	**283,042**	287,847
Property and development	**132,165**	**105,685**	103,436
Finance and administration	**80,102**	**71,390**	70,404
Civic corporations	**48,649**	**51,518**	47,257
General government	**47,179**	**33,795**	42,047
Total Expenses (Note 19)	**1,358,328**	**1,299,723**	1,273,234
Annual Surplus (Deficit) Before Other	**(37,469)**	**3,931**	(810)
OTHER			
Government transfers related to capital (Note 18)	**122,506**	**121,262**	138,611
Developer contributions-in-kind related to capital (Note 13)	**58,000**	**72,225**	58,575
	180,506	**193,487**	197,186
Annual Surplus	$ **143,037**	**197,418**	196,376
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**4,715,090**	4,518,714
ACCUMULATED SURPLUS, END OF YEAR		$ **4,912,508**	$ 4,715,090

See accompanying notes and schedules to the consolidated financial statements

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	**$ 197,418**	$ 196,376
Non-cash charges to operations		
Amortization	**188,432**	175,765
Write-down of tangible capital assets	**-**	5,779
Other	**9,862**	21,562
	395,712	399,482
Net change in non-cash working capital balances related to operations	**(14,205)**	52,467
Cash provided by operating activities	**381,507**	451,949
CAPITAL		
Acquisition of tangible capital assets	**(653,993)**	(486,320)
Proceeds on disposal of tangible capital assets	**4,462**	2,451
Cash used in capital activities	**(649,531)**	(483,869)
FINANCING		
Increase in sinking fund investments	**(21,509)**	(23,841)
Debenture and serial debt retired	**(21,448)**	(20,672)
Sinking fund and serial debenture issued	**137,784**	50,000
Service concession arrangements financing	**109,362**	50,000
Other	**32,820**	6,594
Cash provided by financing activities	**237,009**	62,081
INVESTING		
Increase of investments	**(14,290)**	(14,940)
Cash used in investing activities	**(14,290)**	(14,940)
(Decrease) increase in cash and cash equivalents	**(45,305)**	15,221
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**437,346**	422,125
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 392,041**	$ 437,346

See accompanying notes and schedules to the consolidated financial statements

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

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

	Budget 2012 (Unaudited)	**Actual 2012**	Actual 2011
ANNUAL SURPLUS	**$ 143,037**	**$ 197,418**	$ 196,376
Amortization of tangible capital assets	**185,528**	**188,432**	175,765
Proceeds on disposal of tangible capital assets	**30,160**	**4,462**	2,451
Write-down of tangible capital assets	**-**	**-**	5,779
Loss on sale of tangible capital assets	**1,053**	**5,269**	2,525
Change in inventories, prepaid expenses and deferred charges	**(800)**	**(12,017)**	(355)
Acquisition of tangible capital assets	**(456,027)**	**(653,993)**	(486,320)
INCREASE IN NET FINANCIAL LIABILITIES	**(97,049)**	**(270,429)**	(103,779)
NET FINANCIAL (LIABILITIES) ASSETS, BEGINNING OF YEAR	**(55,176)**	**(55,176)**	48,603
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (152,225)**	**$ (325,605)**	$ (55,176)

See accompanying notes and schedules to the consolidated financial statements

1. *Status of The City of Winnipeg*

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

2. *Significant Accounting Policies*

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

a) Basis of consolidation

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

i) Consolidated entities

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

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

ii) Government businesses

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

iii) Employees' pension funds

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

2. *Significant Accounting Policies (continued)*

iv) Group life insurance funds

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

b) Basis of accounting

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

c) School taxes

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

d) Cash equivalents

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

e) Land held for resale

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

f) Investments

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

g) Unamortized premium on debt

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

h) Solid waste landfills

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

2. Significant Accounting Policies (continued)

i) Environmental provisions

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

j) Deferred revenue

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

k) Employee benefit plans

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

l) Non-financial assets

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

i) Tangible capital assets

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

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

2. *Significant Accounting Policies (continued)*

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

Assets under construction are not amortized until the asset is available for productive use.

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

a) Contributions of tangible capital assets

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

b) Leases

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

c) Service concession arrangements

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

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

ii) Inventories

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

m) Assessment appeals

Property taxation revenue is based on market assessments that are subject to appeal therefore, a provision has been estimated for assessment appeals outstanding as at December 31. By their nature, these estimates are subject to measurement uncertainty and the impact on future financial statements could be material (Note 2o).

2. *Significant Accounting Policies (continued)*

n) Government transfers

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

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

o) Estimates

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

p) Budget

The 2012 budget is included on the consolidated statements of operations and accumulated surplus and change in net financial liabilities. The budget is compiled from the City Council-approved Operating Budget, estimates for controlled entities, adjustments to report the budget on a full accrual basis including capital revenue adjustments, assets capitalized on the statement of financial position, amortization of tangible capital assets and accruals for unfunded liabilities and administrative adjustments to provide for proper comparison to actuals presented herein.

3. *Cash and Cash Equivalents*

	2012	2011
Cash	**$ 11,894**	$ 7,753
Cash equivalents	**380,147**	429,593
	$ 392,041	$ 437,346

The average effective interest rate for cash equivalents at December 31, 2012 is 1.3% (2011 - 1.3%).

Cash and cash equivalents exclude $109.7 million (2011 - $189.5 million) which has been received from various entities including EBB. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is $41.2 million (2011 - $41.6 million).

4. *Accounts Receivable*

		2012		2011
Property, payments-in-lieu and business taxes receivable	$	**37,960**	$	34,747
Allowance for property, payments-in-lieu and business tax arrears		**(3,351)**		(2,629)
		34,609		32,118
Trade accounts and other receivables		**110,503**		105,768
Province of Manitoba		**51,182**		57,505
Government of Canada		**21,280**		10,294
Allowance for doubtful accounts		**(8,995)**		(7,758)
		173,970		165,809
	$	**208,579**	$	197,927

5. *Investments*

		2012		2011
Marketable securities				
Provincial bonds and bond coupons	$	**6,713**	$	6,680
Municipal bonds		**75,726**		61,475
		82,439		68,155
Manitoba Hydro long-term receivable		**220,238**		220,238
Other		**1,172**		4,102
	$	**303,849**	$	292,495

a) Marketable securities

The aggregate market value of marketable securities at December 31, 2012 is $86.2 million (2011 - $72.9 million) and their maturity dates range from 2013 to 2042.

b) Manitoba Hydro long-term receivable

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

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

6. *Investment in Government Businesses*

a) North Portage Development Corporation

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

6. *Investment in Government Businesses (continued)*

The condensed supplementary financial information of NPDC is as follows:

	2012	2011
Financial position		
Property, plant and equipment and investment in properties and infrastructure enhancements	**$ 75,171**	$ 76,574
Short-term investments	**12,536**	12,891
Other assets	**3,565**	3,107
	$ 91,272	$ 92,572
Deferred contributions from shareholders	**$ 17,179**	$ 17,862
Long-term mortgage payable	**11,753**	12,075
Current and other liabilities	**5,337**	5,019
	34,269	34,956
Net equity	**57,003**	57,616
	$ 91,272	$ 92,572

	2012	2011
Comprehensive income		
Revenues	**$ 11,075**	$ 11,385
Expenses	**9,472**	9,465
Operating income before the following	**1,603**	1,920
Interest expense	**(718)**	(745)
Amortization	**(2,381)**	(2,240)
Other	**883**	757
Net loss for the year	**$ (613)**	$ (308)

b) River Park South Developments Inc.

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

c) Winnipeg Housing Rehabilitation Corporation

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

6. *Investment in Government Businesses (continued)*

The condensed supplementary financial information of WHRC is as follows:

		2012		2011
Financial position				
Capital assets	**$**	**26,925**	$	28,284
Current and other assets		**6,505**		6,347
	$	**33,430**	$	34,631
Long-term debt	**$**	**24,568**	$	25,861
Current and other liabilities		**4,019**		4,279
		28,587		30,140
Replacement Reserves		**4,011**		3,780
WHRC Building and Acquisition Reserve		**1,026**		993
Unrestricted deficit		**(194)**		(282)
		4,843		4,491
	$	**33,430**	$	34,631

		2012		2011
Results of operations				
Revenues	**$**	**7,656**	$	7,573
Expenses		**7,568**		7,477
Excess of revenues over expenses for the year		**88**		96
Change to Replacement Reserves during the year		**231**		124
Change to WHRC Building and Acquisition Reserve during the year		**33**		16
	$	**352**	$	236

During the year, the City paid WHRC an operating grant of $200 thousand (2011 - $200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2011 - $2.0 million). As at March 31, 2012, WHRC has utilized $585 thousand of this line of credit.

Summary of investment in government businesses

		2012		2011
North Portage Development Corporation (1/3 share)	**$**	**19,001**	$	19,292
River Park South Developments Inc. (1/2 share)		**7,602**		-
Winnipeg Housing Rehabilitation Corporation		**4,843**		4,491
	$	**31,446**	$	23,783

Summary of results of operations

		2012		2011
North Portage Development Corporation (1/3 share)	**$**	**(291)**	$	(16)
River Park South Developments Inc. (1/2 share)		**3,985**		-
Winnipeg Housing Rehabilitation Corporation		**352**		236
	$	**4,046**	$	220

6. *Investment in Government Businesses (continued)*

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

7. *Accounts Payable and Accrued Liabilities*

	2012	2011
Accrued liabilities	**$ 97,688**	$ 86,721
Trade accounts payable	**94,843**	86,292
Accrued interest payable	**13,258**	13,450
	$ 205,789	$ 186,463

8. *Deferred Revenue*

	2012	2011
Federal gas tax transfer	**$ 28,924**	$ 39,049
Province of Manitoba	**15,433**	14,765
Other	**10,722**	11,011
	$ 55,079	$ 64,825

9. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2012**	2011
1993-2013	Feb. 11	9.375	VN	6090/93	**$ 90,000**	$ 90,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**85,000**	85,000
1995-2015	May 12	9.125	VR	6620/95	**88,000**	88,000
1997-2017	Nov. 17	6.250	VU	7000/97	**30,000**	30,000
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	**60,000**	60,000
2008-2036	July 17	5.200	VZ	72/2006B	**100,000**	100,000
2010-2041	June 3	5.150	WB	183/2008	**60,000**	60,000
2011-2051	Nov. 15	4.300	WC	72/06, 183/08 and 150/09	**50,000**	50,000
2012-2051	Nov. 15	3.853	WC	93/2011	**50,000**	-
2012-2051	Nov. 15	3.759	WC	120/09, 93/11 and 138/11	**75,000**	-
					688,000	563,000
Equity in The Sinking Funds (Notes 9a and b)					**(264,037)**	(242,528)
Net sinking fund debentures outstanding					**423,963**	320,472

9. *Debt (continued)*

Other debt outstanding

	2012	2011
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.70% (2011 - 4.78%)	**56,884**	78,332
Bank loans, Province and other with varying maturities up to 2026 and a weighted average interest rate of 2.90% (2011 - 3.46%)	**116,427**	83,108
Capital lease obligations (Note 9c)	**26,592**	26,488
Service concession arrangement obligations (Notes 9d and 15d)	**158,759**	50,000
	782,625	558,400
Unamortized premium on debt (Note 9e)	**10,536**	-
	$ 793,161	$ 558,400

Debt segregated by fund/organization:

	2012	2011
General Capital Fund	**$ 430,019**	$ 215,302
Waterworks System	**154,529**	161,142
Transit System	**91,180**	94,551
Special operating agencies and other	**86,525**	72,635
Solid Waste Disposal	**13,025**	262
Sewage Disposal System	**7,347**	14,508
	$ 782,625	$ 558,400

Debt to be retired over the next five years:

	2013	2014	2015	2016	2017	2018+
Sinking fund debentures	$ 90,000	$ 85,000	$ 88,000	$ -	$ 30,000	$ 395,000
Other debt	70,717	24,327	19,813	22,231	15,274	206,300
	$ 160,717	$ 109,327	$ 107,813	$ 22,231	$ 45,274	$ 601,300

a) As at December 31, 2012, sinking fund assets have a market value of $270.9 million (2011 - $254.0 million). Sinking fund assets are mainly comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of $28.1 million (2011 - $27.3 million) and a market value of $29.4 million (2011 - $28.9 million).

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees of The City of Winnipeg on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed in a separate fund by the City. The City is currently paying between 1 to 3% on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

9. *Debt (continued)*

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

		Capital Leases
2013	$	2,473
2014		2,476
2015		2,476
2016		2,476
2017		2,502
Thereafter		37,579
Total future minimum lease payments		49,982
Amount representing interest at a weighted average rate of 8.18%		(23,390)
Capital lease obligations	$	26,592

d) Service concession arrangement obligations are as follows:

		2012		2011
DBF2 Limited Partnership - Chief Peguis Trail	**$**	**49,577**	$	50,000
Plenary Roads Winnipeg GP - Disraeli Bridges		**109,182**		-
	$	**158,759**	$	50,000

Chief Peguis Trail Extension

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

The $108.5 million project will have been financed through a grant of $23.9 million from PPP Canada, a Provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.9 million. As at December 31, 2012, $104.7 million was capitalized (Note 13). Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

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

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

9. Debt (continued)

Disraeli Bridges

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

The $195.0 million project will have been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and cash consideration paid by the City of $10.6 million. As at December 31, 2012, $169.4 million was capitalized for commissioned works (Note 13). A total amount of $14.3 million is included for the pedestrian bridge and final roadwork expected to be completed in 2013. Monthly capital and interest performance-based payments totalling $9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the $195.0 million project is 5.2%. Specifically, the sinking fund debt and service concession arrangement obligation to PRW bear a combined weighted average interest rate of 7.5%.

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

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

f) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2012 is $53.6 million (2011 - $44.0 million) and cash paid for interest during the year is $53.8 million (2011 - $43.6 million).

10. Other Liabilities

	2012	2011
Environmental liabilities	**$ 20,000**	$ 19,200
Developer deposits	**8,599**	8,228
Expropriation and other	**28,391**	28,007
	$ 56,990	$ 55,435

Included in environmental liabilities is $19.3 million (2011 - $18.3 million) for the estimated total landfill closure and post-closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's average long-term borrowing rate of 6.0% (2011 - 6.0%).

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

10. Other Liabilities (continued)

The estimated capacity of the City's one remaining landfill, the Brady Road Landfill Site, is 93% of its total capacity and its remaining life is approximately 93 years, after which perpetual post-closure maintenance is required.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Road Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2012, the reserve had a balance of $4.6 million (2011 - $4.3 million).

11. Accrued Employee Benefits and Other

	2012	2011
Retirement allowance - accrued obligation	**$ 94,554**	$ 96,497
Unamortized net actuarial loss	**(8,295)**	(12,646)
Retirement allowance - accrued liability	**86,259**	83,851
Vacation	**46,392**	44,216
Workers' compensation	**16,963**	14,675
Compensated absences	**8,568**	7,990
Other	**5,983**	5,733
	$ 164,165	$ 156,465

Under the retirement allowance programs, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 13.0 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The City measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation of the obligation was calculated as of July 31, 2011. The results of this valuation were extrapolated to the financial reporting date of December 31, 2012 using year-end assumptions.

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

	2012	2011
Retirement allowance - accrued liability		
Balance, beginning of year	**$ 83,851**	$ 80,829
Current service cost	**5,130**	5,068
Interest cost	**3,471**	3,422
Amortization of net actuarial loss	**1,745**	1,372
Benefit payments	**(7,938)**	(6,840)
Balance, end of year	**$ 86,259**	$ 83,851

11. Accrued Employee Benefits and Other (continued)

Retirement allowance expense consists of the following:

		2012		2011
Current service cost	**$**	**5,130**	$	5,068
Interest cost		**3,471**		3,422
Amortization of net actuarial loss		**1,745**		1,372
	$	**10,346**	$	9,862

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

	2012	2011
Discount rate on liability	**3.60%**	3.60%
General increases in pay	**3.50%**	3.50%

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

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

12. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits Program

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

During 2012, members contributed 8.55% of their Canada Pension Plan earnings and 10.6% of pensionable earnings in excess of Canada Pension Plan earnings. Members' contribution rates are scheduled to increase to an average of 9.5% of pensionable earnings in 2013 and 10.0% of pensionable earnings in 2014 and future years. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Program was prepared as at December 31, 2011, which indicated an excess of actuarial value of program assets over actuarial liabilities of $216.0 million. The Pension Trust Agreement specifies how actuarial surpluses can be used but does not attribute actuarial surpluses to individual employers. However, a portion of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions. In the event of unfavourable financial experience, additional amounts may be transferred from the City Account to cover a funding deficiency.

The balance of the City Account at December 31, 2012 was $60.1 million (2011 - $70.2 million).

Total contributions by the City to the Program in 2012 were $23.1 million (2011 - $ 22.7 million), which were expensed as incurred.

12. *Pension Costs and Obligations (continued)*

b) Winnipeg Police Pension Plan

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

An actuarial valuation of the Plan was prepared as of December 31, 2011. The valuation revealed a funding deficiency, which, in accordance with the terms of the Plan, was resolved through a reduction in the contribution stabilization reserve and by reducing the rate of cost-of-living adjustments to pensions from 71.2% to 66.2% of the inflation rate.

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

The results of the December 31, 2011 actuarial valuation of the Plan were extrapolated to December 31, 2012. In accordance with the terms of the Plan, extrapolated deficiencies are resolved through transfers from the contribution stabilization reserve and reductions in the rate of cost-of-living adjustments to pensions. The principal long-term assumptions on which the extrapolation was based were: discount rate of 6.00% per year (2011 - 6.25%); inflation rate of 2.00% per year (2011 - 2.00%); and general pay increases of 3.50% per year (2011 - 3.50%). The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the Plan's assets, accrued pension obligation and pension expenses are as follows:

	2012	2011
Plan assets:		
Fair value, beginning of year	**$ 894,619**	$ 922,233
Employer contributions	**17,129**	9,758
Employee contributions and transfers	**11,376**	9,870
Benefits and expenses paid	**(43,229)**	(39,904)
Net investment income	**73,396**	(7,338)
Fair value, end of year	**953,291**	894,619
Actuarial adjustment	**27,121**	58,297
Actuarial value, end of year	**$ 980,412**	$ 952,916

12. Pension Costs and Obligations (continued)

	2012	2011
Accrued pension obligation:		
Beginning of year	**$ 933,487**	$ 896,897
Current period benefit cost	**32,689**	28,748
Benefits and expenses paid	**(43,229)**	(39,904)
Interest on accrued pension obligation	**57,459**	55,403
Actuarial loss (gain)	**6**	(7,657)
End of year	**$ 980,412**	$ 933,487
Funded status	**$ -**	$ 19,429
Less: contribution stabilization reserve	**-**	(19,429)
Actuarial surplus	**$ -**	$ -
Expenses related to pensions:		
Current period benefit cost	**$ 32,689**	$ 28,748
Amortization of actuarial gains	**(2,546)**	(6,471)
Less: employee contributions and transfers	**(11,376)**	(9,870)
Pension benefit expense	**18,767**	12,407
Interest on accrued benefit obligation	**57,459**	55,403
Expected return on plan assets	**(59,097)**	(58,052)
Pension interest expense	**(1,638)**	(2,649)
Total expenses related to pensions	**$ 17,129**	$ 9,758

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

Total contributions made by the City to the Plan in 2012 were $17.1 million (2011 - $9.8 million). Total employee contributions to the Plan in 2012 were $11.4 million (2011 - $9.9 million). Benefits paid from the Plan in 2012 were $42.2 million (2011 - $39.1 million).

The expected rate of return on Plan assets in 2012 was 6.25% (2011 - 6.25%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2012 was 8.27% (2011 - -0.80%).

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

c) Councillors' Pension Plan

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

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2012, the City paid out $0.4 million (2011 - $0.4 million). An actuarially determined pension obligation of $3.9 million (2011 - $3.9 million) has been reflected in the Consolidated Statement of Financial Position.

12. Pension Costs and Obligations (continued)

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

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

d) Group Life Insurance Plan

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

An actuarial valuation of the plan was prepared as of December 31, 2010 and the results were extrapolated to December 31, 2012. The principal long-term assumptions on which the valuation was based were: discount rate of 3.80% per year (2011 - 3.90%); and general pay increases of 3.50% per year (2011 - 3.50%). The accrued group life insurance obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the plan is as follows:

	2012	2011
Group life insurance plan assets, at actuarial value	**$ 135,613**	$ 134,992
Accrued post-retirement life insurance obligations	**$ 119,377**	$ 111,580

13. Tangible Capital Assets

	Net Book Value	
	2012	2011
General		
Land	**$ 211,731**	$ 202,897
Buildings	**321,653**	318,846
Vehicles	**176,634**	178,251
Computer	**35,271**	40,754
Other	**164,657**	120,934
Infrastructure		
Plants and facilities	**594,574**	598,277
Roads	**1,102,727**	987,930
Underground and other networks	**1,864,604**	1,815,433
Bridges and other structures	**522,596**	384,570
	4,994,447	4,647,892
Assets under construction	**209,178**	99,903
	$ 5,203,625	$ 4,747,795

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

During the year, $nil (2011 - $5.8 million) of tangible capital assets were written-down. Interest capitalized during 2012 was $3.0 million (2011 - $2.6 million). In addition, roads and underground networks contributed to the City totalled $72.2 million in 2012 (2011 - $58.6 million) and were capitalized at their fair value at the time of receipt.

13. Tangible Capital Assets (continued)

Included in the above net book values are $274.1 million (2011 - $97.4 million) of tangible capital assets that were acquired through service concession arrangements.

14. Accumulated Surplus

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

	2012	2011
Invested in tangible capital assets	**$ 4,397,884**	$ 4,197,895
Reserves		
Capital Reserves		
Environmental Projects	**58,927**	45,547
Sewer System Rehabilitation	**29,630**	31,801
Rapid Transit Infrastructure	**9,882**	11,147
Transit Bus Replacement	**6,678**	8,655
Other	**9,790**	10,566
	114,907	107,716
Special Purpose Reserves		
General Purpose	**15,921**	11,063
Perpetual Maintenance Fund - Brookside Cemetery	**13,935**	12,944
Destination Marketing	**12,729**	10,186
Insurance (Note 20)	**6,604**	5,103
Multi-Family Dwelling Tax Investment	**6,073**	4,683
Land Operating	**4,803**	10,901
Commitment	**4,598**	2,345
Heritage Investment	**2,920**	5,468
Other	**22,636**	19,288
	90,219	81,981
Stabilization Reserve		
Financial Stabilization	**80,404**	85,305
Total Reserves	**285,530**	275,002
Surplus		
Manitoba Hydro long-term receivable	**220,238**	220,238
Sewage Disposal System	**76,878**	77,144
Waterworks System	**56,422**	62,161
North Portage Development Corporation	**19,001**	19,292
CentreVenture Development Corporation	**13,980**	15,587
Solid Waste Disposal	**8,034**	4,630
Equipment and Material Services	**3,247**	3,227
Other	**21,977**	23,002
Unfunded expenses		
Canadian Museum for Human Rights grant	**(10,756)**	(11,025)
Environmental liabilities	**(19,980)**	(19,160)
Accrued employee benefits and other	**(159,947)**	(152,903)
Total Surplus	**229,094**	242,193
	$ 4,912,508	$ 4,715,090

14. Accumulated Surplus (continued)

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

15. Commitments and Contingencies

The significant commitments and contingencies that existed at December 31, 2012 are as follows:

a) Operating leases

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

	Operating Leases
2013	$ 5,328
2014	4,387
2015	3,901
2016	3,738
2017 and thereafter	48,218
	$ 65,572

b) Legal obligations

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2012 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements.

c) Loan guarantees

The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2012 is $6.6 million (2011 - $6.9 million).

d) Service concession arrangements

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

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

15. Commitments and Contingencies (continued)

e) Veolia agreement

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

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

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

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

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

Compensation to Veolia under the Agreement includes the following components:

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

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

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

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

15. Commitments and Contingencies (continued)

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

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

f) Forgivable loans

The City has received funding from the federal and provincial governments for the purchase of certain properties. Repayment of this funding is not required as long as the properties operate as an affordable housing complex or offer services for the homeless. As at December 31, 2012, the forgivable loans totalled $6.2 million (2011 - $6.6 million).

16. Taxation

	2012	2011
Municipal and school property taxes	**$ 932,410**	$ 888,178
Payments-in-lieu of property (municipal and school) and business taxes	**42,883**	40,291
	975,293	928,469
Payments to Province and school divisions	**(521,322)**	(497,237)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	**453,971**	431,232
Business tax and license-in-lieu of business taxes	**56,783**	55,534
Local improvement and frontage levies	**42,776**	42,542
Electricity and natural gas sales taxes	**17,984**	18,004
Amusement and accommodation taxes and mobile home licence	**16,064**	16,467
	$ 587,578	$ 563,779

The property tax roll includes school taxes of $495.0 million (2011 - $473.8 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2012 totalled $26.3 million (2011 - $23.4 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province. If property taxes are reduced due to an assessment reduction, the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

17. Sales of Services and Regulatory Fees

		2012		2011
Water sales and sewage services	**$**	**230,040**	$	216,084
Other sales of goods and services		**116,201**		114,063
Transit fares		**72,672**		69,946
Regulatory fees		**64,426**		60,359
	$	**483,339**	$	460,452

18. Government Transfers

		2012		2011
Operating				
Province of Manitoba				
Ambulance, libraries and other	**$**	**60,822**	$	63,314
Building Manitoba Fund		**56,604**		56,704
Transit		**33,164**		30,820
Unconditional		**19,888**		19,888
Support		**11,893**		11,535
Support for provincial programs		**(23,650)**		(23,650)
		158,721		158,611
Government of Canada				
Other		**254**		864
Total Operating		**158,975**		159,475
Capital				
Province of Manitoba		**63,187**		79,018
Government of Canada				
Federal gas tax revenue		**50,577**		28,174
Other capital funding		**7,498**		9,210
PPP Canada		**-**		22,209
		58,075		59,593
Total Capital		**121,262**		138,611
	$	**280,237**	$	298,086

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

19. Expenses by Object

		2012		2011
Salaries and benefits	**$**	**695,849**	$	664,221
Goods and services		**344,217**		357,008
Amortization of tangible capital assets		**188,432**		175,765
Interest		**53,587**		43,954
Other expenses		**17,638**		32,286
	$	**1,299,723**	$	1,273,234

20. *Property and Liability Insurance*

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of $250 thousand per claim for most of the policies. The City has established an Insurance Reserve Fund (Note 14) that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year.

21. *Segmented Information*

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

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

Protection

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

Community Services

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

Planning

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

Public Works and Water

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

21. Segmented Information (continued)

Transit System Fund

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

Water and Waste Funds

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

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

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

22. Funds Held in Trust

Trust funds administered by the City for the benefit of external parties, which total $0.4 million (2011 - $0.4 million), are not included in the consolidated financial statements.

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	General				
	Land	**Buildings**	**Vehicles**	**Computer**	**Other**
Cost					
Balance, beginning of year	$ 202,897	$ 592,533	$ 335,198	$ 138,371	$ 197,851
Add:					
Additions during the year	11,130	25,712	20,735	5,458	62,477
Less:					
Disposals during the year	2,296	12,533	8,731	2,771	2,870
Balance, end of year	211,731	605,712	347,202	141,058	257,458
Accumulated amortization					
Balance, beginning of year	-	273,687	156,947	97,617	76,917
Add:					
Amortization	-	20,753	22,043	10,941	18,755
Less:					
Accumulated amortization on disposals	-	10,381	8,422	2,771	2,871
Balance, end of year	-	284,059	170,568	105,787	92,801
Net Book Value of Tangible Capital Assets	$ 211,731	$ 321,653	$ 176,634	$ 35,271	$ 164,657

Schedule 1

Infrastructure					Totals	
Plants and Facilities	**Roads**	**Underground and Other Networks**	**Bridges and Other Structures**	**Assets Under Construction**	**2012**	2011
$ 819,067	**$ 1,862,434**	**$ 2,716,082**	**$ 600,814**	**$ 99,903**	**$ 7,565,150**	$ 7,107,156
12,376	**166,758**	**88,277**	**151,795**	**109,275**	**653,993**	486,320
-	**4,527**	**4,126**	**28,756**	**-**	**66,610**	28,326
831,443	**2,024,665**	**2,800,233**	**723,853**	**209,178**	**8,152,533**	7,565,150
220,790	**874,504**	**900,649**	**216,244**	**-**	**2,817,355**	2,659,161
16,079	**49,642**	**38,134**	**12,085**	**-**	**188,432**	175,765
-	**2,208**	**3,154**	**27,072**	**-**	**56,879**	17,571
236,869	**921,938**	**935,629**	**201,257**	**-**	**2,948,908**	2,817,355
$ 594,574	**$ 1,102,727**	**$ 1,864,604**	**$ 522,596**	**$ 209,178**	**$ 5,203,625**	$ 4,747,795

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

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

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

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

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

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

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

THE CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW

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

			2012	2011	2010	2009	2008
1. Population (as restated per Statistics Canada)			**704,800**	694,100	682,800	673,200	664,900
Unemployment rate (per Statistics Canada)							
- Winnipeg			**5.5%**	5.8%	5.7%	5.4%	4.4%
- National average			**7.2%**	7.4%	8.0%	8.3%	6.1%
2. Average annual headcount			**10,080**	10,039	9,942	9,827	9,623
3. Number of taxable properties			**218,973**	216,997	215,224	213,574	211,048
Payments-in-lieu of taxes							
Number of properties			**1,317**	1,181	1,238	903	908
4. Assessment	- Residential	$	**50,738,087**	44,052,618	43,431,201	24,048,221	23,666,110
(see note)	- Commercial and industrial		**13,310,247**	12,054,712	12,033,087	8,242,789	8,161,490
	- Farm and golf		**244,951**	179,736	183,279	128,611	131,414
		$	**64,293,285**	56,287,066	55,647,567	32,419,621	31,959,014
Assessment per capita	(in dollars)	$	**91,222**	81,094	81,499	48,157	48,066
Commercial and industrial as a percentage of assessment			**20.70%**	21.42%	21.62%	25.43%	25.54%
5. Tax arrears		$	**37,960**	34,747	34,387	30,036	29,893
6. Tax arrears - per capita (in dollars)		$	**53.86**	50.06	50.36	44.62	44.96
7. Municipal mill rate			**14.056**	15.295	15.295	25.448	25.448
- Adjustment for tax increase			**3.5%**	0.0%	0.0%	0.0%	0.0%
- Adjustment for general assessment			**-11.2%**	0.0%	-39.9%	0.0%	0.0%
8. Winnipeg consumer price index (per Statistics Canada) (annual average)							
- 2002 base year 100			**119.9**	118.1	114.8	113.9	113.3
- Percentage increase			**1.5%**	2.9%	0.8%	0.5%	2.3%
9. Consolidated revenues							
- Taxation		$	**587,578**	563,779	550,994	534,571	521,684
- User charges			**483,339**	460,452	425,164	413,243	412,984
- Government transfers			**280,237**	298,086	251,886	256,823	213,310
- Interest and other revenue			**145,987**	147,293	125,812	139,011	123,280
		$	**1,497,141**	1,469,610	1,353,856	1,343,648	1,271,258
10. Consolidated expenses by function							
- Municipal operations		$	**910,177**	891,823	851,469	842,003	773,303
- Public utilities			**338,028**	334,154	301,637	278,848	258,788
- Civic corporations			**51,518**	47,257	31,532	29,582	29,383
		$	**1,299,723**	1,273,234	1,184,638	1,150,433	1,061,474
11. Growth in accumulated surplus		$	**197,418**	196,376	169,218	193,215	209,784

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

THE CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW - continued

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

		2012	2011	2010	2009	2008
12. Consolidated expenses by object						
Salaries and benefits	$	**695,849**	664,221	623,232	598,576	565,071
Goods and services		**344,217**	357,008	324,119	314,746	291,061
Amortization		**188,432**	175,765	165,857	155,382	141,099
Interest		**53,587**	43,954	46,233	49,588	50,952
Other expenses		**17,638**	32,286	25,197	32,141	13,291
	$	**1,299,723**	1,273,234	1,184,638	1,150,433	1,061,474
13. Payments to school authorities	$	**521,322**	497,237	497,907	474,445	465,001
14. Debt						
Tax-supported	$	**560,073**	334,359	274,838	294,449	378,872
Transit		**109,709**	110,449	81,408	22,088	24,914
City-owned utilities		**296,868**	285,799	290,605	288,899	304,834
Other		**80,012**	70,321	68,238	73,081	44,472
Total gross debt		**1,046,662**	800,928	715,089	678,517	753,092
Less: Sinking Funds		**264,037**	242,528	218,687	199,025	276,158
Total net long-term debt	$	**782,625**	558,400	496,402	479,492	476,934
Percentage of total assessment		**1.22%**	0.99%	0.89%	1.48%	1.49%
15. Acquisition of tangible capital assets	$	**653,993**	486,320	333,851	384,110	330,344
16. Net financial (liabilities) assets	$	**(325,605)**	(55,176)	48,603	36,903	77,850
17. Accumulated surplus						
Invested in tangible capital assets	$	**4,397,884**	4,197,895	3,983,440	3,803,787	3,568,485
Reserves						
Capital		**114,907**	107,716	97,376	98,329	94,156
Special Purpose		**90,219**	81,981	71,973	81,941	73,574
Stabilization		**80,404**	85,305	81,582	78,397	84,680
		285,530	275,002	250,931	258,667	252,410
Surpluses						
Manitoba Hydro long-term receivable		**220,238**	220,238	220,238	226,640	232,679
Other surpluses		**199,539**	205,043	236,686	230,630	253,225
Unfunded expenses		**(190,683)**	(183,088)	(172,581)	(170,228)	(150,518)
		229,094	242,193	284,343	287,042	335,386
	$	**4,912,508**	4,715,090	4,518,714	4,349,496	4,156,281
18. Government-specific indicators						
Assets-to-liabilities		**4.85**	5.62	6.00	6.05	5.88
Financial assets-to-liabilities		**0.75**	0.95	1.05	1.04	1.09
Public debt charges-to-revenues		**0.04**	0.03	0.03	0.04	0.04
Own-source revenues-to-taxable assessment		**0.02**	0.02	0.02	0.03	0.03
Government transfers-to-revenues		**0.19**	0.20	0.19	0.19	0.17

2 0 1 2   F U N D S

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


PHOTO: Cindy Hasler

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

The City of Winnipeg ("the City") is a single-tier municipality created on January 1, 1972, pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba ("the Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, parks and recreation. The City is required by The Public Schools Act to bill, collect and remit provincial support and school division special levies on behalf of the Province and school divisions. The City also bills, collects, and remits taxes on behalf of local business improvement zones. Activities related to these billing functions are not included in the Statement of Operations.

For the year-ended December 31, 2012, the General Revenue Fund reported a net surplus of $15.9 million (2011 - $9.7 million). Factors that contributed to the General Revenue Fund's position were as follows:

- Corporate expenses were below budget by $10.8 million because of adjustments to accounting provisions as well as reduced Corporate employee benefit costs;
- The Corporate Finance department's net mill rate support was under budget by $2.2 million mainly as a result of higher interest recoveries from capital and investment returns and lower expenses;
- The Planning, Property and Development department's net mill rate support improved by $2.1 million, primarily because of higher permit revenues as a result of continued strong local development and the construction market;
- Fire Paramedic Service department's net mill rate support is $1.4 million over budget as a result of revised estimates on the transfer from the Winnipeg Regional Health Authority and revenues from sundry fees and services; and
- Other departmental revenues and expenses provided $2.2 million towards the net surplus.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

FIVE-YEAR REVIEW

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

	2012	2011	2010	2009	2008
Planning, Property and Development					
Construction					
-Permits issued	**10,124**	10,046	9,543	9,480	9,120
-Value	**$ 1,541,071**	$ 1,158,757	$ 1,152,406	$ 1,110,844	$ 1,053,811
Housing starts	**3,574**	2,976	2,737	1,811	2,646
Community Services					
Libraries Provincial Transfer	**$ 2,010**	$ 2,010	$ 2,010	$ 2,010	$ 2,010
Library circulation	**5,585,216**	5,472,382	5,423,042	5,728,077	5,465,522
Taxes Receivable					
Property, payments-in-lieu and business taxes	**$ 37,960**	$ 34,747	$ 34,387	$ 30,036	$ 29,893
Allowance for tax arrears	**(3,351)**	(2,629)	(3,080)	(3,784)	(3,657)
	$ 34,609	$ 32,118	$ 31,307	$ 26,252	$ 26,236
Tax Revenues					
Municipal realty taxes	**$ 432,584**	$ 409,208	$ 405,785	$ 398,730	$ 395,410
Payments-in-lieu of taxes	**$ 29,076**	$ 28,646	$ 30,519	$ 31,058	$ 30,087
Business and licenses-in-lieu of business taxes	**$ 55,629**	$ 55,655	$ 56,417	$ 56,504	$ 56,508
Statement of Operations (1)					
Revenues	**$ 898,614**	$ 869,588	$ 813,059	$ 794,766	$ 780,628
Expenses	**882,756**	859,888	813,059	785,773	767,808
	15,858	9,700	-	8,993	12,820
Contribution to:					
General Purpose Reserve	**(15,858)**	(9,700)	-	(8,993)	-
Mill Rate Stabilization Reserve	**-**	-	-	-	(12,820)
Surplus	**$ -**	$ -	$ -	$ -	$ -

(1) The 2010 - 2008 figures have not been reclassified to conform with 2012 and 2011's presentation.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

STATEMENT OF FINANCIAL POSITION

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

	2012	2011
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 489,378**	$ 615,121
Accounts receivable (Note 4)	**92,464**	87,865
Materials and supplies	**7,811**	8,268
Prepaid expenses	**1,126**	1,076
	590,779	712,330
Investments (Note 5)	**62,556**	49,676
Contributed surplus and other assets (Note 6)	**36,180**	36,790
	$ 689,515	$ 798,796
LIABILITIES		
Current		
Notes payable (Note 7)	**$ 119,226**	$ 197,281
Due to other funds (Note 8)	**395,911**	431,705
Accounts payable and accrued liabilities (Note 9)	**112,574**	106,883
Deferred revenue (Note 10)	**34,455**	37,020
Performance and other deposits	**14,593**	21,598
	676,759	794,487
Premium on long-term debt	**12,756**	-
Debt - General Capital Fund	**-**	4,309
	$ 689,515	$ 798,796

Commitments and contingent liabilities (Note 11)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

STATEMENT OF OPERATIONS

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

	2012 Budget	2012 Actual	2011 Actual
REVENUES (Schedule 1)			
Taxation (Note 12)	**$ 551,613**	**$ 551,868**	$ 533,571
Government transfers	**113,255**	**111,927**	116,697
Sale of goods and services (Note 13)	**62,972**	**66,048**	64,547
Contributions and transfers	**52,309**	**50,676**	41,798
Regulation fees	**44,074**	**47,473**	45,448
Payments-in-lieu of taxes (Note 12)	**29,076**	**29,076**	28,646
Investment and other interest	**22,526**	**23,576**	22,090
Sale of Winnipeg Hydro and other	**17,603**	**17,970**	16,791
Total Revenues	**893,428**	**898,614**	869,588
EXPENSES (Schedules 2 and 3)			
Protection and community services	**492,785**	**491,914**	450,729
Public works	**223,970**	**221,842**	232,564
Finance and administration	**79,291**	**77,526**	76,152
Contribution to Transit System	**46,279**	**46,279**	44,172
Property and development	**40,996**	**45,913**	40,143
Employee benefits and payroll tax	**13,419**	**12,722**	12,915
Debt and finance charges	**3,107**	**2,265**	3,052
Grants and payments to other authorities	**535**	**535**	571
Other	**(6,954)**	**(16,240)**	(410)
Total Expenses	**893,428**	**882,756**	859,888
Surplus for the year before contribution	**-**	**15,858**	9,700
Contribution:			
General Purpose Reserve	**-**	**(15,858)**	(9,700)
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

The accrual basis of accounting is modified for expenses relating to accrued vacation costs, compensated absences, legal claims, retirement allowance, workers compensation claims, insurance claims, councillors' pension plan costs, and environmental costs which are recorded when payment is incurred.

c) Cash equivalents

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

d) Materials and supplies

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

e) Investments

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

1. *Significant Accounting Policies (continued)*

f) Deferred revenue

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

g) Debt and finance charges

Tax-supported tangible capital assets, including those financed by debt, are recorded along with the outstanding debt obligation in the General Capital Fund. Interest and payments on debt are funded by the General Revenue Fund with the interest expense recorded in the General Capital Fund.

h) Local improvement taxes

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

i) Taxes collected for others

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

j) Administration and interest on capital work

In certain circumstances, capital project work capitalized in the General Capital Fund includes an administration fee of 1% of specific costs of the project to a maximum of $100 thousand on any individual project. In addition, financing charges of 2% are also capitalized as part of the project funded by the City. The administration fee and financing charge revenues are recorded in the General Revenue Fund.

k) Debenture premiums and issue expenses

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

l) Deferred gain on sale of assets to Special Operating Agencies

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

m) Taxation revenue

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

1. Significant Accounting Policies (continued)

n) Government transfers

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

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

2. Status of the General Revenue Fund

The City is a municipality which was created on January 1, 1972, pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba (the "Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, urban planning, parks and recreation.

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

3. Cash and Cash Equivalents

	2012	2011
Bank balance, net of other cash items	**$ 3,916**	$ 1,304
Cash equivalents	**485,462**	613,817
	$ 489,378	$ 615,121

Cash equivalents have an effective average interest rate of 1.3% (2011 - 1.3%).

4. Accounts Receivable

	2012	2011
Property, payments-in-lieu and business taxes	**$ 37,960**	$ 34,747
Allowance for tax arrears	**(3,351)**	(2,629)
	34,609	32,118
Trade accounts and other receivables	**24,815**	26,207
Province of Manitoba	**20,155**	27,971
Government of Canada	**15,811**	3,502
Accrued interest receivable	**1,668**	1,953
Allowance for doubtful accounts	**(4,594)**	(3,886)
	57,855	55,747
	$ 92,464	$ 87,865

5. *Investments*

	2012	2011
Marketable securities		
Provincial bonds	**$ 912**	$ 881
Municipal bonds	**61,644**	48,795
	$ 62,556	$ 49,676

The aggregate market value of marketable securities at December 31, 2012 is $63.7 million (2011 - $51.2 million).

6. *Contributed Surplus and Other Assets*

	2012	2011
Contributed surpluses:		
Golf Services - Special Operating Agency	**$ 20,090**	$ 20,090
Land Operating Reserve	**8,425**	8,425
Winnipeg Parking Authority - Special Operating Agency	**172**	172
Loans receivable:		
Winnipeg Parking Authority - Special Operating Agency, start-up loan with no specific terms of repayment	**3,918**	3,918
Golf Services - Special Operating Agency, interest at 6%, repayable in annual payments of $208 thousand, including interest and principal	**2,992**	3,019
Deferred election costs	**583**	1,166
	$ 36,180	$ 36,790

Interest revenue received on the loan to Golf Services - Special Operating Agency during the year was $181 thousand (2011 - $182 thousand).

Interest revenue received on the loan to Winnipeg Parking Authority - Special Operating Agency during the year was $nil (2011 - $nil).

7. *Notes Payable*

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 1.0% (2011 - 1.0%). These notes are callable by the issuers.

	2012	2011
Winnipeg Civic Employees' Benefits Program (Pension Fund)	**$ 54,423**	$ 131,230
The Civic Employees' Group Life Insurance Plan	**29,339**	11,837
Winnipeg Police Pension Plan	**22,439**	46,363
Insurance Reserve	**5,603**	4,103
Sinking Fund	**3,458**	86
Workers Compensation Reserve	**3,367**	2,882
Perpetual Maintenance Reserve Funds:		
- Brookside Cemetery	**470**	426
- St. Vital Cemetery	**5**	136
- Transcona Cemetery	**5**	88
Brady Landfill Site Rehabilitation Reserve	**117**	130
	$ 119,226	$ 197,281

8. *Due to Other Funds*

The City operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Bank transactions are credited or charged to the "Due (from)/to" account in each fund when they are processed through the bank. Where appropriate, interest is credited or charged to other funds based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate.

	2012	2011
Capital Reserves	**$ 139,655**	$ 142,669
Financial Stabilization Reserve	**80,404**	85,305
Sewage Disposal System	**68,829**	63,752
Special Purpose Reserves	**63,997**	62,478
Waterworks System	**41,387**	46,899
Municipal Accommodations	**10,565**	204
Transit System	**9,061**	23,021
General Revenue Enterprises	**7,197**	6,382
Solid Waste Disposal	**6,403**	(786)
Equipment and Material Services	**2,099**	2,079
` Fleet Management - Special Operating Agency	**1,194**	(7,621)
Trusts	**361**	411
Animal Services - Special Operating Agency	**226**	(213)
Winnipeg Parking Authority - Special Operating Agency	**201**	(1,653)
Winnipeg Enterprises Corporation	**(880)**	(275)
Golf Services - Special Operating Agency	**(6,408)**	(5,700)
General Capital	**(28,380)**	14,753
	$ 395,911	$ 431,705

9. *Accounts Payable and Accrued Liabilities*

	2012	2011
Trade accounts payable	**$ 49,125**	$ 48,489
Provincial education support and school division special levies payable	**22,944**	20,135
Wages and employee benefits payable	**18,479**	17,563
Other accrued liabilities	**11,535**	11,438
Provision for assessment appeals	**6,452**	4,808
Accrued interest on long-term debt	**4,039**	4,450
	$ 112,574	$ 106,883

10. *Deferred Revenue*

	2012	2011
Deferred gain on sale of assets to:		
Golf Services - Special Operating Agency	**$ 21,775**	$ 21,874
Winnipeg Parking Authority - Special Operating Agency	**6,617**	8,897
Province of Manitoba, Federal Government and other	**4,933**	5,004
Registration fees	**1,068**	1,191
Rentals	**62**	54
	$ 34,455	$ 37,020

11. Commitments and Contingent Liabilities

The following significant commitments and contingencies existed at December 31, 2012:

a) Loan guarantees

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

	2012	2011
Assiniboine Park Conservancy Inc.	**$ 6,000**	$ -
Southdale Recreation Association Inc.	**3,242**	2,926
CentreVenture Development Corporation	**2,344**	2,475
Dakota Community Centre Inc.	**1,613**	1,766
Gateway Recreation Centre Inc.	**611**	736
Winnipeg Enterprises Corporation	**425**	708
Winnipeg Soccer Federation	**409**	454
Winnipeg Housing Rehabilitation Corporation	**293**	214
Garden City Community Centre Inc.	**292**	404
St. Norbert Community Centre	**132**	164
Glenwood Community Centre Inc.	**125**	154
Maples Recreation Association Inc.	**113**	149
Granite Curling Club	**37**	46
Manitoba Opera Association Inc.	**-**	80
	$ 15,636	$ 10,276

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, 2012, an accrual has not been made to the financial statements.

b) Lawsuits

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2012 cannot be predicted with certainty. The expense is recorded when settlement occurs.

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

12. *Taxation*

The property tax roll recorded in the General Revenue Fund for the year totalled $927.6 million (2011 - $883.0 million). This included school taxes of $495.0 million (2011 - $473.8 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were $55.4 million (2011 - $52.1 million). Included were payments-in-lieu of school taxes assessed in 2012 of $26.3 million (2011 - $23.4 million). School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba and are not reflected as revenues or expenses in these financial statements. When an assessment is reduced the City is compelled by legislation to refund municipal taxes, school taxes and payments-in-lieu of school taxes with applicable interest.

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

	2012	2011
Sewage Disposal System	**$ 8,907**	$ 8,361
Waterworks System	**2,319**	2,153
Transit System	**542**	451
Winnipeg Parking Authority - Special Operating Agency	**407**	433
Golf Services - Special Operating Agency	**255**	276
Solid Waste Disposal	**8**	29
	$ 12,438	$ 11,703

13. *General Government Charges from Related Parties*

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

	2012	2011
Waterworks System	**$ 921**	$ 921
Sewage Disposal System	**899**	899
Transit System	**777**	777
Municipal Accommodations	**557**	557
Solid Waste Disposal	**134**	134
Animal Services - Special Operating Agency	**71**	70
Winnipeg Parking Authority - Special Operating Agency	**37**	37
Golf Services - Special Operating Agency	**16**	15
Fleet Management - Special Operating Agency	**22**	5
	$ 3,434	$ 3,415

14. Contributions and Appropriations to Related Parties

In addition to those disclosed elsewhere in the financial statements, included in the fund's expenses are the following:

Included in Community Services department's expenses are transfers to various funds as follows: Animal Services - Special Operating Agency net transfer $1.2 million (2011 - $1.3 million); Recreation Programming Reserve $279 thousand (2011 - $490 thousand); and Library Reserve $50 thousand (2011 - $nil).

Included in Public Works department's expenses is a transfer to the Insect Control Urgent Expenditures Reserve $2.4 million (2011 - $ 2.3 million).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Reserves in the amount of $265 thousand (2011 - $228 thousand), a transfer to the Permit Reserve of $854 thousand (2011 - $1.2 million) and the Housing Rehabilitation Investment Reserve of $1.2 million (2011 - $1.5 million).

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes $257 thousand (2011 - $248 thousand) from the Financial Stabilization Reserve, $255 thousand (2011 - $277 thousand) from the Special Purpose Reserves, $324 thousand (2011 - $300 thousand) from the Capital Reserves, and $45 thousand (2011 - $32 thousand) from the Sinking Fund.

Included in government affairs, pension contribution and other expenses during 2012 is a $93 thousand (2011 - $94 thousand) transfer from the Municipal Accommodations Fund.

Included in various expense categories are the following: during 2012 a transfer of $57.4 million to the Municipal Accommodations Fund (2011 - $59.8 million); a transfer to the Computer Replacement Reserve of $870 thousand (2011 - $662 thousand); a transfer to the General Capital Fund of $56.1 million (2011 - $39.2 million) to fund capital projects; a contribution to the Commitment Reserve of $3.5 million (2011 - $1.9 million); a transfer to the Insurance Reserve of $1.2 million (2011 - $748 thousand); a transfer from the General Capital Fund of $1.1 million (2011 - to $1.0 million) for capital expenditures; and a transfer to the Waterworks System Fund of $128 thousand (2011 - $127 thousand).

15. Pension Costs and Obligations

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

The Fund's employees are eligible for benefits under the Winnipeg Civic Employees' Benefits Pension and the Winnipeg Police Pension Plans. The City allocates its benefit costs to various departments. During the year $40.9 million (2011 - $30.8 million) of benefit costs were allocated to the General Revenue Fund.

b) Councillors' Pension Plan Established Under By-Law No. 3553/83

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. These benefits are recorded when paid. The unrecorded benefits liability at December 31, 2012 has been estimated to be $3.9 million (2011 - $3.9 million). In 2012, the City paid out $0.4 million (2011 - $0.4 million).

15. Pension Costs and Obligations (continued)

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

The City of Winnipeg Council Pension Benefits Program (formerly the Councillors' Pension Plan) was established July 18, 2001 by The City of Winnipeg Council Pension Plan By-Law No. 7869/2001, which deemed the Program to have come into existence on January 1, 2001. The Program is a defined benefit pension plan, which provides pension benefits for City of Winnipeg Council members. All members of City Council were required to become members of the Program on January 1, 2001.

In 2012, the City paid out $0.3 million (2011 - $0.2 million).

16. Other Employee Benefits

a) Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2012 at $78.3 million (2011 - $79.7 million).

b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2012 is estimated at $9.5 million (2011 - $9.3 million).

c) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2012 is estimated at $34.5 million (2011 - $32.5 million).

d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2012 is estimated at $11.0 million (2011 - $10.0 million).

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

17. Related Party Transactions

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

18. Budget

The adopted budget has been amended by an increase in Police Services department's expenses of $4.4 million required for wage and benefit provisions and Corporate expenses have been reduced accordingly. The adopted budget has also been adjusted to reflect $1.7 million of savings included in Corporate expenses that have been allocated to various departments' revenue and expense categories and a decrease in both Entertainment Tax revenue and Assessment and Taxation department's expenses by $7.0 million.

19. Comparative Figures

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

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2012 Budget	2012 Actual	2011 Actual
Taxation			
Municipal realty tax	$ 432,568	$ 432,584	$ 409,208
Business and licenses-in-lieu of business taxes	55,629	55,629	55,655
Frontage levy	41,300	41,227	41,069
Electricity and natural gas sales taxes	18,124	17,984	23,304
Entertainment tax	1,900	2,078	1,804
Local improvement tax	1,479	1,549	1,473
Licenses-in-lieu of realty tax	359	362	360
Local improvement tax commuted	50	252	493
Billboard tax	204	203	205
	551,613	551,868	533,571
Government transfers			
Provincial			
Building Manitoba Fund	56,603	56,604	56,704
Unconditional	19,887	19,888	19,888
Casino	10,287	10,844	10,287
Other	6,761	9,204	9,748
Support	8,632	8,748	8,459
Video lottery terminal	8,820	7,106	8,820
Emergency medical services	5,750	5,750	5,750
Ambulance	8,988	5,337	11,451
Assessment	3,000	3,000	3,000
Larviciding	1,200	2,300	1,200
Libraries	2,010	2,010	2,010
Policing	2,000	2,000	2,000
Policing - helicopter	1,358	1,328	-
Dutch elm disease control	1,000	1,000	1,000
Main Street project	594	450	-
Services transferred to the Province	(23,650)	(23,650)	(23,650)
	113,240	111,919	116,667
Federal government	15	8	30
	113,255	111,927	116,697
Sale of goods and services	62,972	66,048	64,547

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2012 Budget	2012 Actual	2011 Actual
Contributions and transfers			
Sewage Disposal System	**15,033**	**14,198**	13,665
General Purpose Reserve	**10,700**	**10,700**	8,000
Financial Stabilization Reserve	**8,800**	**8,800**	-
Land Operating Reserve	**6,119**	**6,119**	5,700
Municipal Accommodations (Note 14)	**3,103**	**3,186**	8,113
Insect Control Urgent Expenditure Reserve	**2,200**	**2,200**	-
Heritage Investment Reserve	**1,000**	**1,000**	1,000
Insurance Reserve	**1,000**	**1,000**	-
Permit Reserve	**300**	**884**	1,955
Solid Waste Disposal	**2,301**	**810**	1,265
Transit System	**782**	**782**	782
Waterworks System	**619**	**679**	619
Winnipeg Parking Authority - Special Operating Agency	**177**	**177**	175
Golf Services - Special Operating Agency	**81**	**81**	81
Destination Marketing Reserve	**60**	**60**	60
General Capital Fund	**34**	**-**	36
General Revenue Enterprises Fund	**-**	**-**	22
Housing Rehabilitation Reserve	**-**	**-**	325
	52,309	**50,676**	41,798
Regulation fees			
Permits and fees	**15,947**	**21,497**	18,628
Fines	**18,477**	**16,292**	16,085
Tax penalties	**6,800**	**6,834**	6,957
Licenses	**2,850**	**2,850**	3,778
	44,074	**47,473**	45,448
Payments-in-lieu of taxes	**29,076**	**29,076**	28,646
Investment and other interest			
Dividend - Sewage Disposal System	**10,708**	**10,708**	10,135
Dividend - Waterworks System	**7,223**	**7,223**	7,048
Interest earned	**3,183**	**3,620**	3,430
Interest capitalized	**976**	**1,589**	1,041
Debt charges recovered	**436**	**436**	436
	22,526	**23,576**	22,090

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2012 Budget	2012 Actual	2011 Actual
Sale of Winnipeg Hydro and other			
Manitoba Hydro	**16,000**	**16,000**	16,000
Accounts payable write-offs, commissions, etc.	**1,603**	**1,970**	791
	17,603	**17,970**	16,791
Total Revenues	**$ 893,428**	**$ 898,614**	$ 869,588

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2012 Budget	2012 Actual	2011 Actual
Protection and community services			
Police services	$ 224,631	$ 225,950	$ 201,777
Fire paramedic service	154,490	153,754	146,750
Community services	112,568	111,122	101,038
Museums	1,096	1,088	1,164
	492,785	491,914	450,729
Public works			
Public works	168,818	169,323	182,865
Water and waste	44,052	41,628	39,081
Street lighting	11,100	10,891	10,618
	223,970	221,842	232,564
Finance and administration			
Corporate support services	31,187	30,871	30,260
Assessment and taxation	18,558	18,167	19,071
City clerks	10,773	10,362	10,203
Corporate finance	8,547	7,633	7,300
Council	3,353	3,266	2,822
Legal services	2,452	2,419	2,384
Mayor's office	1,884	1,884	1,740
Chief administrative offices	1,651	1,552	1,615
Audit	886	1,372	757
	79,291	77,526	76,152
Contribution to Transit System	46,279	46,279	44,172
Property and development			
Planning, property and development	40,996	45,913	40,143
Employee benefits and payroll tax			
Provincial payroll tax	8,660	9,227	9,051
Employee benefits	4,759	3,495	3,864
	13,419	12,722	12,915

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2012 Budget	2012 Actual	2011 Actual
Debt and finance charges			
Transfer to General Capital Fund	**40,014**	**39,506**	38,905
Other interest and finance charges	**933**	**540**	699
Transfer to departments	**(37,840)**	**(37,781)**	(36,552)
	3,107	**2,265**	3,052
Grants and payments to other authorities			
The Convention Centre Corporation	**465**	**465**	501
Grants	**70**	**70**	70
	535	**535**	571
Other			
Insurance and damage claims	**3,869**	**3,868**	3,774
Government affairs, pension contribution and other	**(10,823)**	**(20,108)**	(4,184)
	(6,954)	**(16,240)**	(410)
Contribution to			
General Purpose Reserve	**-**	**15,858**	9,700
Total Expenses	**$ 893,428**	**$ 898,614**	$ 869,588

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 3

EXPENSES BY OBJECT

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

	2012 Budget	**2012 Actual**	2011 Actual
Salaries and employee benefits	**$ 481,937**	**$ 487,186**	$ 463,427
Transfers to other Funds	**156,722**	**186,394**	164,306
Services	**131,856**	**124,742**	131,472
Debt and finance charges - departmental and corporate	**42,529**	**40,725**	40,068
Materials, parts and supplies	**37,647**	**38,027**	38,814
Grants and payments to other authorities - departmental and corporate	**29,428**	**29,366**	27,576
Municipal tax, amortization and other	**22,433**	**10,926**	21,537
Provincial payroll tax	**8,660**	**9,227**	9,051
Assets - purchases and renovations	**8,165**	**5,809**	6,997
Recoveries	**(25,949)**	**(33,788)**	(33,660)
	$ 893,428	**$ 898,614**	$ 869,588

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 4

SCHOOL TAXES LEVIED

For the years ended December 31
(unaudited)

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

The amounts that were required to be raised in 2012 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 2012 with 2011 comparative figures are as follows:

	2012	2011
Provincial education support program levy		
Other property	**$ 88,881,162**	$ 86,096,750
Special levies (by school division)		
Winnipeg	**142,601,898**	132,261,877
Louis Riel	**74,069,144**	71,114,053
Pembina Trails	**73,353,797**	70,831,774
River East - Transcona	**59,803,668**	58,115,832
St. James - Assiniboia	**42,906,652**	41,546,938
Seven Oaks	**35,854,424**	33,665,864
Seine River	**3,820,916**	3,573,390
Interlake	**30,570**	30,601
	432,441,069	411,140,329
	$ 521,322,231	$ 497,237,079
Allocated as follows:		
Realty taxes	**$ 495,024,642**	$ 473,827,244
Payments-in-lieu of taxes	**26,297,589**	23,409,835
	$ 521,322,231	$ 497,237,079

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 5

2012 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

As at April 13, 2012
(unaudited)

	Portion	Taxable	Exempt Subject to Payments-in-Lieu	Exempt	Total
Residential 1	45.0%	$ 18,899,016,228	$ 61,281,630	$ 41,900,684	$ 19,002,198,542
Residential 2	45.0%	2,264,740,259	270,842,770	2,776,680	2,538,359,709
Residential 3	45.0%	1,336,258,379	-	186,750	1,336,445,129
Farm	26.0%	31,449,590	3,988,023	30,396,834	65,834,447
Institutional	65.0%	627,298,997	73,293,350	1,410,886,009	2,111,478,356
Pipelines	50.0%	13,564,000	-	-	13,564,000
Railways	25.0%	52,965,693	-	-	52,965,693
Designated recreational facilities	10.0%	10,223,300	641,928	1,887,140	12,752,368
Other	65.0%	6,830,774,684	724,288,472	1,029,597,687	8,584,660,843
Legislative building	65.0%	-	8,178,490	-	8,178,490
		$ 30,066,291,130	$ 1,142,514,663	$ 2,517,631,784	$ 33,726,437,577

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

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

FIVE-YEAR REVIEW

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

	2012	2011	2010	2009	2008
Internal service operations and other programs:					
Revenues	**$ 6,262**	$ 4,429	$ 6,155	$ 4,526	$ 4,061
Expenditures	**5,203**	5,855	3,882	4,107	6,014
Surplus/(Deficit)	**$ 1,059**	$ (1,426)	$ 2,273	$ 419	$ (1,953)

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

STATEMENT OF FINANCIAL POSITION

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

		2012		2011
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$**	**7,197**	$	6,382
Accounts receivable		**-**		2
	$	**7,197**	$	6,384
LIABILITIES				
Current				
Deferred revenue	**$**	**2,246**	$	2,492
RETAINED EQUITY		**4,951**		3,892
	$	**7,197**	$	6,384

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

STATEMENT OF OPERATIONS AND RETAINED EQUITY

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

	2012	2011
REVENUES		
Permits and fees	**$ 5,601**	$ 4,029
Transfer from Land Operating Reserve	**609**	346
Sales of goods and services	**52**	54
Total Revenues	**6,262**	4,429
EXPENDITURES		
Street cuts operations (Note 4)	**4,761**	3,605
Real estate enterprises	**345**	705
Riverbank management operations	**59**	55
Libraries programs	**38**	123
Transfer to Transit System Fund	**-**	1,271
Printing and duplicating operations (Note 4)	**-**	96
Total Expenditures (Note 4)	**5,203**	5,855
SURPLUS (DEFICIT) FROM OPERATIONS	**1,059**	(1,426)
RETAINED EQUITY, BEGINNING OF YEAR	**3,892**	5,318
RETAINED EQUITY, END OF YEAR	**$ 4,951**	$ 3,892

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

c) Deferred revenue

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

2. Status of the General Revenue Enterprises Fund

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

3. Due from General Revenue Fund

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

4. *Expenditures by Object*

	2012	2011
Goods and services	**$ 4,892**	$ 3,897
Grants	**311**	579
Transfer to General Capital Fund	**-**	86
Transfer to General Revenue Fund	**-**	22
Transfer to Transit System Fund	**-**	1,271
	$ 5,203	$ 5,855

Included in street cuts operations expenditures is a transfer to the General Revenue Fund of $nil (2011 - $22 thousand) and in the printing and duplicating operations expenditures is a transfer to the General Capital Fund of $nil (2011 - $86 thousand).

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

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

By December 31 of each year, City Council is required under The City of Winnipeg Charter to approve a budget for the General Capital Fund. The 2012 budget for the General Capital Fund of $266.6 million was a 0.12% increase from the 2011 budget of $266.3 million. Capital expenditures in 2012 relating to 2012 and previous years capital budgets, increased from $284.2 million in 2011 to $479.9 million in 2012.

Of the $479.9 million of total capital expenditures, $294.9 million was for Roads and Bridges, $25.2 million related to Buildings, $29.4 million was for Water and Waste infrastructure, and $4.7 million related to Information Technology.

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

- Disraeli Bridges Project	$	169.4	million
- Developer contributions-in-kind	$	44.4	million
- Regional Streets Renewal program	$	28.3	million
- Tuxedo Yards Development	$	18.9	million
- Local Streets Renewal program	$	18.4	million
- Waverley West Arterial Roads	$	16.6	million
- Osborne Street Bridge	$	12.8	million
- Fire Stations	$	10.5	million

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

FIVE-YEAR REVIEW

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

	2012	2011	2010	2009	2008
Tangible Capital Assets	**$ 3,015,008**	$ 2,653,033	$ 2,474,503	$ 2,411,176	$ 2,312,744
% change in tangible capital assets	**13.64%**	7.21%	2.63%	4.26%	2.28%
Debt					
Net Sinking Fund, serial and installment	**$ 224,011**	$ 129,136	$ 137,636	$ 165,256	$ 176,920
Other long-term debt	**232,408**	111,966	43,338	48,833	38,286
Total long-term debt	**$ 456,419**	$ 241,102	$ 180,974	$ 214,089	$ 215,206
% change in total debt	**89.31%**	33.22%	(15.47%)	(0.52%)	(8.43%)
External Debt as a % of Total Debt	**100.00%**	100.00%	100.00%	100.00%	100.00%
Interest Expense					
Internal (1)	**$ -**	$ -	$ 28,055	$ 28,385	$ 27,937
External	**25,267**	17,254	20,184	25,085	27,600
Interest Expense	**$ 25,267**	$ 17,254	$ 48,239	$ 53,470	$ 55,537
% change in external interest expense	**46.44%**	(14.52%)	(19.54%)	(9.11%)	1.46%
Summary of Cash Flows					
Operating activities	**$ 214,038**	$ 210,369	$ 155,785	$ 188,369	$ 171,202
Long-term debt (retired) issued, net	**$ 225,611**	$ (402,594)	$ 13,791	$ 35,022	$ 2,508
Payments to The Sinking Fund Trustees, net	**$ (4,892)**	$ (4,702)	$ (4,704)	$ (8,272)	$ (8,272)
Due from/to General Revenue Fund	**$ 43,133**	$ (23,594)	$ 10,154	$ (21,478)	$ (18,886)
Capital acquisitions	**$ (479,931)**	$ (284,174)	$ (169,951)	$ (189,153)	$ (150,758)
Other	**$ 2,041**	$ 504,695	$ (5,075)	$ (4,488)	$ 4,206

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

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF FINANCIAL POSITION

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

	2012	2011
FINANCIAL ASSETS		
Due from General Revenue Fund (Note 3)	**$ -**	$ 14,753
Accounts receivable (Note 4)	**29,252**	24,764
Capital loans receivable (Note 5)	**21,152**	24,908
	50,404	64,425
LIABILITIES		
Due to General Revenue Fund (Note 3)	**28,380**	-
Accounts payable and accrued liabilities (Note 6)	**13,490**	3,068
Deferred revenue	**16,052**	14,765
Deferred revenue related to capital assets (Note 7)	**20,162**	31,940
Debt (Note 8)	**456,419**	241,102
Deferred liabilities	**1,991**	2,154
Developer deposits	**8,599**	8,228
	545,093	301,257
NET FINANCIAL LIABILITIES	**(494,689)**	(236,832)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	**3,015,008**	2,653,033
Prepaid expenses	**15,281**	881
	3,030,289	2,653,914
ACCUMULATED SURPLUS (Note 10)	**$ 2,535,600**	$ 2,417,082

Commitments (Note 11)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2012	2011
REVENUES		
Capital funding recognized (Note 7)	**$ 77,929**	$ 15,957
Transfers from other City of Winnipeg Funds (Schedule 2)	**61,081**	46,223
Transfer from General Revenue Fund		
Debt and finance	**39,506**	38,905
Other	**5,210**	1,005
Province of Manitoba capital transfer	**44,985**	57,284
Developer contributions-in-kind	**44,398**	40,978
Interest income	**6,106**	5,591
Government of Canada capital transfer	**5,868**	28,668
Other	**3,748**	9,754
Developer deposit	**532**	1,134
	289,363	245,499
EXPENSES		
Amortization	**109,457**	104,039
Interest - External debt	**25,267**	17,254
Grants	**14,742**	17,486
Infrastructure maintenance	**8,911**	14,126
Transfers to other City of Winnipeg Funds (Schedule 2)	**6,583**	11,823
Loss on disposal of tangible capital assets	**4,812**	117
Other	**1,073**	612
	170,845	165,457
NET SURPLUS FOR THE YEAR	**118,518**	80,042
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**2,417,082**	1,812,284
Transfer from Equity in Capital Assets Fund	**-**	524,756
ACCUMULATED SURPLUS, END OF YEAR (Note 10)	**$ 2,535,600**	$ 2,417,082

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF CASH FLOWS

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

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 118,518**	$ 80,042
Non-cash charges to operations		
Amortization	**109,457**	104,039
Loss on disposal of tangible capital assets	**4,812**	117
Working capital from operations	**232,787**	184,198
Net change in working capital	**(8,466)**	14,137
Net change in deferred liabilities, deferred revenue and developer deposits	**(10,283)**	12,034
	214,038	210,369
FINANCING		
Debt issued	**244,738**	79,928
Debenture debt retired	**(19,127)**	(18,457)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(6,106)**	(5,591)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(4,892)**	(4,702)
Net decrease in Equity in Capital Assets Fund debt	**-**	(464,065)
Capital loans receivable	**3,756**	(24,908)
Due to/from General Revenue Fund	**43,133**	(23,594)
Equity transferred from Equity in Capital Assets Fund	**-**	524,756
Other	**704**	8,950
	262,206	72,317
INVESTING		
Net purchase of capital assets (Schedule 1)	**(479,931)**	(284,174)
Net proceeds on disposal of tangible capital assets	**3,687**	1,488
	(476,244)	(282,686)
Cash, end of year	**$ -**	$ -

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

c) Tangible capital assets

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

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

Assets under construction are not amortized until the asset is available for productive use.

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

1. *Significant Accounting Policies (continued)*

d) Deferred revenue

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

e) Contributions of tangible capital assets

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

f) Leases

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

g) Service concession arrangement

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

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

h) Deferred liabilities

Deferred liabilities consist of developer repayments as well as contributions received but not yet earned. Under the terms of development agreements, the City is required to repay developers for local improvements installed which benefit property outside the development area.

i) Revenue recognition

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

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

1. Significant Accounting Policies (continued)

j) Debt and finance charges

Tax-supported tangible capital assets, including those financed by debt, are recorded along with the outstanding debt obligation in the General Capital Fund. Interest and payments on debt are funded by the General Revenue Fund and the interest expense is recorded in the General Capital Fund. On January 1, 2011, the Equity in Capital Assets Fund was consolidated into the General Capital Fund eliminating the internal debt along with the related internal principal and interest.

2. Status of the General Capital Fund

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

3. Due (to) from General Revenue Fund

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

4. Accounts Receivable

	2012	2011
Province of Manitoba	**$ 23,513**	$ 21,561
Government of Canada	**3,307**	1,637
Local improvements - Fairfield Park	**1,516**	1,619
Other	**916**	(53)
	$ 29,252	$ 24,764

5. Capital Loans Receivable

At varying maturities up to the year 2032 with a weighted average interest rate for the year 2012 of 6.21% (2011 - 6.53%) due from the following:

	2012	2011
Transit System	**$ 21,080**	$ 20,505
Golf Course Reserve	**72**	94
General Revenue Fund	**-**	4,309
	$ 21,152	$ 24,908

6. Accounts Payable and Accrued Liabilities

	2012	2011
Trade accounts payable	**$ 7,225**	$ 585
Contractors' holdbacks	**5,709**	2,483
Accrued debenture interest and principal	**556**	-
	$ 13,490	$ 3,068

7. Deferred Revenue Related to Capital Assets

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

	2012	2011
Beginning balance	**$ 31,940**	$ -
Contributions received from:		
General Revenue Fund	**56,072**	39,222
Municipal Accommodations Fund	**10,079**	8,675
	98,091	47,897
Deduct capital funding recognized	**77,929**	15,957
	$ 20,162	$ 31,940

8. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt 2012	Amount of Debt 2011
1993-2013	Feb. 11	9.375	VN	6090/93	**$ 40,000**	$ 40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**30,500**	30,500
1995-2015	May 12	9.125	VR	6620/95	**55,000**	55,000
1997-2017	Nov. 17	6.250	VU	7000/97	**30,000**	30,000
2011-2051	Nov. 15	4.300	WC	72/2006, 183/2008, and 150/2009	**20,250**	20,250
2012-2051	Nov. 15	3.853	WC	93/2011	**50,000**	-
2012-2051	Nov. 15	3.759	WC	120/2009, 93/2011, and 138/2011	**75,000**	-
					300,750	175,750
Equity in Sinking Fund (Note 8b)					**(130,055)**	(119,057)
Net sinking fund debentures outstanding					**170,695**	56,693

8. *Debt (continued)*

Other long-term debt outstanding	**2012**	2011
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.68% (2011 - 4.76%)	**53,316**	72,443
Service concession arrangement obligations (Notes 8c and 11a)	**158,759**	50,000
Capital lease obligations with varying maturities up to 2038 and a weighted average interest rate of 8.18% (2011 - 8.10%) (Note 8d)	**26,592**	26,488
Canada Mortgage and Housing Corporation ("CMHC") term loan, maturity February 1, 2026, interest rate of 3.72%	**9,184**	9,678
Tuxedo Yards development loan with an interest rate of 2.28%	**11,473**	-
Other long-term debt	**26,400**	25,800
	$ 456,419	$ 241,102

Debt to be retired over the next five years:

	2013	2014	2015	2016	2017	Thereafter
Sinking fund debentures	$ 40,000	$ 30,500	$ 55,000	$ -	$ 30,000	$ 145,250
Serial and installment debt	19,831	9,619	4,773	4,773	4,773	9,547
Service concession arrangements	1,415	1,531	1,655	1,790	1,936	150,432
Capital lease obligations	536	583	630	682	764	23,397
CMHC	512	531	551	571	592	6,427
Tuxedo Yards	2,295	2,295	2,295	2,295	2,293	-
	$ 64,589	$ 45,059	$ 64,904	$ 10,111	$ 40,358	$ 335,053

a) All debentures are general obligations of the City. Debenture debt is allocated to the General Capital Fund and utilities in the amounts shown in the issuing by-law.

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

8. Debt (continued)

c) Service concession arrangement obligations

(i) Chief Peguis Trail Extension

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

The $108.5 million project will have been financed through a grant of $23.9 million from PPP Canada, a Provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.9 million. As at December 31, 2012, $104.7 million was capitalized (Note 9). Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

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

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

(ii) Disraeli Bridges

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

The $195.0 million project will have been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and cash consideration paid by the City of $10.6 million. As at December 31, 2012, $169.4 million was capitalized for commissioned works (Note 9). A total amount of $14.3 million is included for the pedestrian bridge and final roadwork expected to be completed in 2013. Monthly capital and interest performance-based payments totalling $9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the $195.0 million project is 5.2%. Specifically, the sinking fund debt and service concession arrangement obligation to PRW bear a combined weighted average interest rate of 7.5%.

8. *Debt (continued)*

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

	2012	2011
DBF2 - Chief Peguis Trail	**$ 49,577**	$ 50,000
Plenary Roads Winnipeg GP - Disraeli Bridges	**109,182**	-
	$ 158,759	$ 50,000

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

	2013	$ 2,473
	2014	2,476
	2015	2,476
	2016	2,476
	2017	2,502
	thereafter	37,579
Total future minimum lease payments		49,982
Amount representing interest at a weighted average interest rate of 8.18%		(23,390)
Balance of the capital lease obligations		$ 26,592

9. *Tangible Capital Assets*

	2012	2011
Land	**$ 183,214**	$ 180,986
Buildings	**293,563**	288,459
Vehicles	**311**	442
Computer	**23,050**	27,101
Other	**79,890**	53,868
Plants and facilities	**17,255**	17,148
Roads	**1,058,669**	959,570
Underground and other networks	**776,659**	763,313
Bridges and other structures	**444,159**	310,916
Assets under construction	**138,238**	51,230
	$ 3,015,008	$ 2,653,033

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

During the year, there were no write-downs of tangible capital assets (2011 - $nil). Administration fees and interim financing charges capitalized during 2012 were $2.4 million (2011 - $1.6 million). In addition, land, roads and underground networks contributed to the City and recorded in the General Capital Fund totalled $44.4 million in 2012 (2011 - $41.0 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $274.1 million (2011 - $97.4 million) of tangible capital assets that were acquired through service concession arrangements.

10. Accumulated Surplus

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

11. Commitments

a) Service concession arrangements

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

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

12. Comparative Figures

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

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General				
	Land	Buildings	Vehicles	Computer	Other
Cost					
Balance, beginning of year	$ 180,986	$ 519,971	$ 22,002	$ 98,845	$ 88,629
Add: Additions during the year	4,524	25,171	-	4,713	34,246
Less: Disposals during the year	2,296	3,026	1,084	2,771	246
Balance, end of year	183,214	542,116	20,918	100,787	122,629
Accumulated amortization					
Balance, beginning of year	-	231,512	21,560	71,744	34,761
Add: Amortization	-	17,935	97	8,764	8,223
Less: Accumulated amortization on disposals	-	894	1,050	2,771	245
Balance, end of year	-	248,553	20,607	77,737	42,739
Net Book Value of Tangible Capital Assets	$ 183,214	$ 293,563	$ 311	$ 23,050	$ 79,890

Infrastructure					Totals	
Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	**2012**	2011
$ 23,528	$ 1,833,619	$ 1,128,680	$ 526,262	$ 51,230	**$ 4,473,752**	$ 4,192,967
427	149,785	28,979	145,078	87,008	**479,931**	284,174
-	4,527	56	28,756	-	**42,762**	3,389
23,955	1,978,877	1,157,603	642,584	138,238	**4,910,921**	4,473,752
6,380	874,049	365,367	215,346	-	**1,820,719**	1,718,464
320	48,367	15,600	10,151	-	**109,457**	104,039
-	2,208	23	27,072	-	**34,263**	1,784
6,700	920,208	380,944	198,425	-	**1,895,913**	1,820,719
$ 17,255	$ 1,058,669	$ 776,659	$ 444,159	$ 138,238	**$ 3,015,008**	$ 2,653,033

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

Schedule 2

SCHEDULE OF TRANSFERS BETWEEN CITY OF WINNIPEG FUNDS

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

	2012	2011
TRANSFERS FROM OTHER CITY OF WINNIPEG FUNDS		
Federal Gas Tax Revenue Reserve	**$ 45,614**	$ 24,950
Land Operating Reserve	**5,821**	858
Sewer System Rehabilitation Reserve	**3,668**	2,350
Municipal Accommodations Fund (Note 7)	**2,939**	4,739
Transit System	**1,252**	1,245
Contributions in Lieu of Land Dedication Reserve	**613**	-
General Purpose Reserve	**370**	5,894
Insurance Reserve	**340**	-
Waterworks System	**232**	148
Commitment Reserve	**150**	-
Library Reserve	**35**	-
Golf Course Reserve	**26**	26
Computer Replacement Reserve	**21**	-
Equipment and Material Services Fund	**-**	5,602
Economic Development Investment Reserve	**-**	230
Sewage Disposal System	**-**	95
General Revenue Enterprise Fund	**-**	86
	$ 61,081	$ 46,223
TRANSFERS TO OTHER CITY OF WINNIPEG FUNDS		
General Revenue Fund	**$ 6,266**	$ 36
Land Operating Reserve	**293**	110
Sewage Disposal System	**24**	1,000
General Purpose Reserve	**-**	8,000
Municipal Accommodations Fund	**-**	2,677
	$ 6,583	$ 11,823

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

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

History:

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

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

On December 13, 2000, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset any variance in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year.

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

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

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

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

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

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

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

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

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

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

The City Treasurer is the Fund Manager.

FIVE-YEAR REVIEW

December 31
(in thousands of dollars)
(unaudited)

	2012	2011	2010	2009	2008
General Revenue Fund's adopted budget expense	**$ 899,961**	$ 847,324	$ 817,686	$ 788,730	$ 767,622
Equity (1)	**$ 80,404**	$ 85,305	$ 81,582	$ 78,397	$ 84,680
Level (2)	**8.9%**	10.1%	10.0%	9.9%	11.0%
Over/(under) target (3)	**$ 8,407**	$ 17,519	$ (187)	$ (476)	$ 7,918

(1) The 2008 - 2010 figures represent the combined equity of the Fiscal Stabilization Reserve and the Mill Rate Stabilization Reserve Funds.

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

(3) The residual values for 2008 - 2010 is based on the Reserve's equity which is over/(under) 10% of the General Revenue Fund's adopted budget expenses. For 2011 onward, the target is 8%.

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

STATEMENT OF FINANCIAL POSITION

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

		2012		2011
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$**	**80,404**	$	85,305
EQUITY				
Unallocated	**$**	**80,404**	$	85,305

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

STATEMENT OF CHANGES IN EQUITY

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

	2012	2011
Balance, beginning of year	**$ 85,305**	$ 81,582
Add:		
Net realty taxes added to the assessment roll	**2,253**	1,577
Interest earned	**1,669**	2,368
Transfer from Commitment Reserve	**234**	26
	4,156	3,971
Deduct:		
Transfer to General Revenue Fund	**8,800**	-
Transfer to General Revenue Fund - investment management fee	**257**	248
	9,057	248
Balance, end of year	**$ 80,404**	$ 85,305

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(unaudited)

1. *Significant Accounting Policies*

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

a) Basis of presentation

The Financial Stabilization Reserve Fund follows the fund basis of reporting. The Fund is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

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

2. *Status of the Financial Stabilization Reserve*

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

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

On December 13, 2000, City Council amended the rules governing the Fiscal Stabilization Reserve Fund. The Reserve would offset any variance in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year.

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

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

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

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

2. Status of the Financial Stabilization Reserve (continued)

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

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

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

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

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

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

The City Treasurer is the Fund Manager.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).


D. HOEL
GOLUB
SMITH

THE CITY OF WINNIPEG
CAPITAL RESERVES

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

Water Main Renewal Reserve Fund

On February 18, 1981, City Council authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established by the transfer of $2.0 million of frontage levy revenue from the Waterworks System Fund. From 1974 through to 2008, the City used a frontage levy to fund water main renewals.

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

The Director of Water and Waste is the Fund Manager.

Sewer System Rehabilitation Reserve Fund

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

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

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

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

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, frontage levy revenue collected on property taxes would no longer fund the Sewer System Rehabilitation Reserve as of 2011. Therefore, the Sewer System Rehabilitation Reserve is fully funded through sewer rates transferred from the Sewer Disposal System Fund as well as interest earned on the reserve fund balance.

The Director of Water and Waste is the Fund Manager.

Environmental Projects Reserve Fund

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental projects to improve river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the nature of the projects reported in this Reserve.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based on the amount of water consumption billed. The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba ("the Province"). This includes effluent disinfection, centrate treatment, biological nutrient removal, CSO mitigation infrastructure and biosolids.

River quality is under the jurisdiction of the Province and in 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 50-year wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25-year period, which was subsequently ordered by the Minister of Conservation on September 26, 2003.

On September 3, 2004, the Province issued Environment Act License No. 2669 for the West End Water Pollution Control Centre, which provided for the plan as directed by the Minister of Conservation. Certain provisions of this license were appealed by the City. Revised License No. 2669 E R and No. 2684 R, for the North End Water Pollution Control Center, were issued on August 17, 2005, incorporating the City's requested changes. On March 3, 2006, similar license (No. 2716) was issued for the South End Water Pollution Control Centre. Effective April 18, 2012, the South End Water Pollution Control Centre license (No. 2716RR) was revised in response to the Save Lake Winnipeg Act requirement. This Reserve partially funds capital projects to bring the City in compliance with the license requirements.

The Director of Water and Waste is the Fund Manager.

Brady Landfill Site Rehabilitation Reserve Fund

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

The Director of Water and Waste is the Fund Manager.

Golf Course Reserve Fund

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

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

Library Reserve Fund

City Council, on December 14, 1994, authorized the establishment of the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, City Council further approved that all over due fine, replacement fee, room rental, non-resident and photocopy fee revenues be realized in the reserve. Since 2000, through the annual budget process, City Council has approved reduced transfers to the Fund to help the City maintain mill rate support levels.

The Director of Community Services is the Fund Manager.

Transit Bus Replacement Reserve Fund

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

Computer Replacement Reserve Fund

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

Federal Gas Tax Revenue Reserve Fund

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

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

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

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

The Director of Public Works is the Fund Manager.

Public Transit Reserve Fund

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

The Government of Canada and the Province have entered into the Public Transit Funding Agreement. Under this agreement, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. These funds are to be used for eligible costs of public transit infrastructure projects, primarily to support environmental sustainability objectives, and the agreement is in effect until March 31, 2010.

Subsequent to this, the Province and the City entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2011. The Province has committed to extend the existing agreement to provide additional funding. This is pursuant to the Government of Canada also providing additional funding to the Province through the Public Transit Capital Trust. The fund has been fully depleted as of December 31, 2010. As approved by City Council, this reserve will be dissolved once eligible projects have been completed. Therefore, on January 29, 2013, City Council approved the closure of this reserve.

The Director of Transit was the Fund Manager.

Rapid Transit Infrastructure Reserve Fund

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

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

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

The Director of Transit is the Fund Manager.

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW

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

	2012	2011	2010	2009	2008
Water Main Renewal Reserve Fund					
Frontage levy revenue	**$ -**	$ -	$ -	$ -	$ 7,063
Water main renewals funded	**$ 15,274**	$ 13,316	$ 11,244	$ 9,437	$ 7,769
Kilometres of water mains	**2,557**	2,531	2,543	2,519	2,485
Water main repairs	**840**	571	328	433	514
Sewer System Rehabilitation Reserve Fund					
Frontage levy revenue	**$ -**	$ -	$ 1,100	$ 7,500	$ 20,352
Sewer renewals funded	**$ 17,344**	$ 14,899	$ 15,854	$ 16,874	$ 13,765
Kilometres of sewers	**2,549**	2,548	2,521	2,511	2,484
Kilometres of sewers renewed	**1.57**	1.15	0.73	9.40	12.13
Environmental Projects Reserve Fund					
Transfer from Sewage Disposal System	**$ 15,780**	$ 13,822	$ 11,993	$ 9,737	$ 7,367
Transfer to Sewage Disposal System - capital projects	**$ 2,732**	$ 7,088	$ 5,088	$ 5,462	$ 18,646
Brady Landfill Site Rehabilitation Reserve Fund					
Transfer from Solid Waste Disposal	**$ 200**	$ 189	$ 171	$ 175	$ 175
Golf Course Reserve Fund					
Equity	**$ 1,244**	$ 1,185	$ 1,145	$ 1,087	$ 1,037
Library Reserve Fund					
Transfer from General Revenue Fund	**$ 50**	$ -	$ 130	$ 214	$ -
Transit Bus Replacement Reserve Fund					
Transfer from/(to) Transit System, net	**$ (2,036)**	$ 528	$ (3,767)	$ (5,102)	$ 4,732
Number of buses financed	**40**	28	35	63	33

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW (continued)

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

	2012	2011	2010	2009	2008
Computer Replacement Reserve Fund					
Allocation of equity:					
Corporate Support Services *	**$ 1,563**	$ 846	$ 285	$ 289	$ 191
Community Services	**224**	226	273	274	228
Public Works	**187**	164	132	114	226
Planning, Property and Development	**55**	92	188	211	200
Audit	**3**	3	10	10	10
Corporate Finance	**1**	3	2	801	929
Chief Administrative Offices	**1**	1	1	1	1
Mayor's Office	**-**	-	-	6	5
EPC Secretariat	**-**	-	-	-	7
	$ 2,034	$ 1,335	$ 891	$ 1,706	$ 1,797
Federal Gas Tax Revenue Reserve Fund					
Government of Canada funding	**$ 40,452**	$ 40,453	$ 40,452	$ 41,067	$ 20,533
Transfer to General Capital Fund	**$ 45,614**	$ 24,950	$ 26,686	$ 25,355	$ 17,460
Transfer to Transit System - capital projects	**$ 5,625**	$ 3,223	$ 490	$ 4,376	$ 2,056
Public Transit Reserve Fund					
Transfer to Transit System - capital projects	**$ -**	$ -	$ 10,627	$ 21,159	$ 6,150
Rapid Transit Infrastructure Reserve Fund					
Transfer from/(to) Transit System, net	**$ (1,329)**	$ 3,480	$ 537	$ 4,250	$ 2,750

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

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Water Main Renewal Reserve	Sewer System Rehabilitation Reserve	Environmental Projects Reserve	Brady Landfill Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ 875	$ 29,630	$ 58,927	$ 1,320
Call loans - General Revenue Fund (Note 4)	-	-	-	117
Accounts receivable	-	-	-	23
	875	29,630	58,927	1,460
Investments (Note 5)	-	-	-	3,177
Due from Golf Services - Special Operating Agency (Note 6)	-	-	-	-
	$ 875	$ 29,630	$ 58,927	$ 4,637
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Deferred revenue	-	-	-	-
Debt (Note 7)	-	-	-	-
	-	-	-	-
EQUITY				
Allocated	875	29,630	58,927	4,637
Unallocated	-	-	-	-
	875	29,630	58,927	4,637
	$ 875	$ 29,630	$ 58,927	$ 4,637

See accompanying notes to the financial statements

Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Computer Replacement Reserve	Federal Gas Tax Reserve	Public Transit Reserve	Sub-total
$ 355	$ 410	$ 6,678	$ 2,044	$ 29,534	$ -	$ 129,773
-	-	-	-	-	-	117
-	-	-	-	-	-	23
355	410	6,678	2,044	29,534	-	129,913
-	-	-	-	-	-	3,177
941	-	-	-	-	-	941
$ 1,296	$ 410	$ 6,678	$ 2,044	$ 29,534	$ -	$ 134,031
$ -	$ -	$ -	$ 10	$ -	$ -	$ 10
-	-	-	-	28,924	-	28,924
72	-	-	-	-	-	72
72	-	-	10	28,924	-	29,006
-	-	7,138	2,034	610	-	103,851
1,224	410	(460)	-	-	-	1,174
1,224	410	6,678	2,034	610	-	105,025
$ 1,296	$ 410	$ 6,678	$ 2,044	$ 29,534	$ -	$ 134,031

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-total Brought Forward	Transit Infrastructure Reserve	Totals 2012	Totals 2011
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 129,773**	**$ 9,882**	**$ 139,655**	$ 142,669
Call loans - General Revenue Fund (Note 4)	**117**	**-**	**117**	130
Accounts receivable	**23**	**-**	**23**	21
	129,913	**9,882**	**139,795**	142,820
Investments (Note 5)	**3,177**	**-**	**3,177**	3,028
Due from Golf Services - Special Operating Agency (Note 6)	**941**	**-**	**941**	1,011
	$ 134,031	**$ 9,882**	**$ 143,913**	$ 146,859
LIABILITIES				
Accounts payable	**$ 10**	**$ -**	**$ 10**	$ -
Deferred revenue	**28,924**	**-**	**28,924**	39,049
Debt (Note 7)	**72**	**-**	**72**	94
	29,006	**-**	**29,006**	39,143
EQUITY				
Allocated	**103,851**	**-**	**103,851**	99,323
Unallocated	**1,174**	**9,882**	**11,056**	8,393
	105,025	**9,882**	**114,907**	107,716
	$ 134,031	**$ 9,882**	**$ 143,913**	$ 146,859

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Water Main Renewal Reserve	Sewer System Rehabilitation Reserve	Environmental Projects Reserve	Sub-total
Balance, beginning of year	$ 2,119	$ 31,801	$ 45,547	$ 79,467
Add:				
Government of Canada transfers	-	-	-	-
Transfer from Sewage Disposal System	-	15,000	15,780	30,780
Transfer from Waterworks System	14,000	-	-	14,000
Transfer from Transit System	-	-	-	-
Interest earned	43	253	485	781
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	-
Transfer from Municipal Accommodations	-	-	-	-
Other	-	-	-	-
	14,043	15,253	16,265	45,561
Deduct:				
Transfer to General Capital Fund	-	3,668	-	3,668
Transfer to Transit System	-	-	-	-
Transfer to Sewage Disposal System	-	13,676	2,732	16,408
Transfer to Waterworks System	15,274	-	-	15,274
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	13	80	153	246
Other	-	-	-	-
	15,287	17,424	2,885	35,596
Balance, end of year	$ 875	$ 29,630	$ 58,927	$ 89,432

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Sub-total Brought Forward	Brady Landfill Reserve	Golf Course Reserve	Library Reserve
Balance, beginning of year	$ 79,467	$ 4,292	$ 1,185	$ 640
Add:				
Government of Canada transfers	-	-	-	-
Transfer from Sewage Disposal System	30,780	-	-	-
Transfer from Waterworks System	14,000	-	-	-
Transfer from Transit System	-	-	-	-
Interest earned	781	158	66	6
Transfer from General Revenue Fund	-	-	-	50
Transfer from Solid Waste Disposal	-	200	-	-
Transfer from Municipal Accommodations	-	-	-	-
Other	-	-	-	-
	45,561	358	66	56
Deduct:				
Transfer to General Capital Fund	3,668	-	26	35
Transfer to Transit System	-	-	-	-
Transfer to Sewage Disposal System	16,408	-	-	-
Transfer to Waterworks System	15,274	-	-	-
Purchase of equipment	-	-	-	249
Transfer to General Revenue Fund - investment management fee	246	13	1	2
Other	-	-	-	-
	35,596	13	27	286
Balance, end of year	$ 89,432	$ 4,637	$ 1,224	$ 410

See accompanying notes to the financial statements

Transit Bus Replacement Reserve	Computer Replacement Reserve	Federal Gas Tax Reserve	Public Transit Reserve	Transit Infrastructure Reserve	Totals 2012	Totals 2011
$ 8,655	$ 1,335	$ 995	$ -	$ 11,147	$ 107,716	$ 97,376
-	-	50,577	-	-	50,577	28,174
-	-	-	-	-	30,780	27,022
-	-	-	-	-	14,000	13,000
8,057	-	-	-	4,092	12,149	12,334
86	14	284	-	94	1,489	1,597
-	870	-	-	-	920	662
-	-	-	-	-	200	189
-	11	-	-	-	11	91
-	4	-	-	-	4	44
8,143	899	50,861	-	4,186	110,130	83,113
-	21	45,614	-	-	49,364	27,326
10,093	-	5,625	-	5,421	21,139	11,549
-	-	-	-	-	16,408	19,637
-	-	-	-	-	15,274	13,616
-	174	-	-	-	423	337
					-	
27	5	-	-	30	324	300
-	-	7	-	-	7	8
10,120	200	51,246	-	5,451	102,939	72,773
$ 6,678	$ 2,034	$ 610	$ -	$ 9,882	$ 114,907	$ 107,716

1. Significant Accounting Policies

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

a) Basis of presentation

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

Water Main Renewal Reserve Fund
Sewer System Rehabilitation Reserve Fund
Environmental Projects Reserve Fund
Brady Landfill Site Rehabilitation Reserve Fund
Golf Course Reserve Fund
Library Reserve Fund
Transit Bus Replacement Reserve Fund
Computer Replacement Reserve Fund
Federal Gas Tax Revenue Reserve Fund
Public Transit Reserve Fund
Rapid Transit Infrastructure Reserve Fund

b) Basis of accounting

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

c) Investment in bonds

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

d) Bond coupons

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

e) Deferred revenue

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

1. Significant Accounting Policies (continued)

f) Government transfers

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

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

2. Status of the Capital Reserves

Water Main Renewal Reserve Fund

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

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

The Director of Water and Waste is the Fund Manager.

Sewer System Rehabilitation Reserve Fund

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

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

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

The Director of Water and Waste is the Fund Manager.

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

Environmental Projects Reserve Fund

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects funded by this Reserve.

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

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2012 sewer rate includes a provision of 0.2600 cents (2011 - 0.2207 cents) per cubic meter of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

Brady Landfill Site Rehabilitation Reserve Fund

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

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents (2011 - 50 cents) per tonne for each tonne disposed at the Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

Golf Course Reserve Fund

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

Library Reserve Fund

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

Transit Bus Replacement Reserve Fund

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

2. Status of the Capital Reserves (continued)

Computer Replacement Reserve Fund

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

Federal Gas Tax Revenue Reserve Fund

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

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

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

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

The Director of Public Works is the Fund Manager.

Public Transit Reserve Fund

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

The Government of Canada and the Province entered into the Public Transit Funding Agreement. Under this agreement, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. These funds are to be used for eligible costs of public transit infrastructure projects, primarily to support environmental sustainability objectives, and the agreement is in effect until March 31, 2010.

Subsequent to this, the Province and the City entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2011. The Province has committed to extend the existing agreement to provide additional funding. This is pursuant to the Government of Canada also providing additional funding to the Province through the Public Transit Capital Trust. The fund has been fully depleted as of December 31, 2010.

As approved by City Council, this Reserve will terminate once eligible projects have been completed. Therefore, on January 29, 2013, City Council approved the closure of this reserve.

The Director of Transit was the Fund Manager.

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

Rapid Transit Infrastructure Reserve Fund

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

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

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

The Director of Transit is the Fund Manager.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).

4. *Call Loans - General Revenue Fund*

Call loans represent short-term investments with the General Revenue Fund which are callable by the Fund upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

5. *Investments*

	2012	2011
Marketable securities		
Provincial bonds and bond coupons	**$ 1,496**	$ 1,496
Municipal bonds	**1,681**	1,532
	$ 3,177	$ 3,028

The aggregate market value of marketable securities at December 31, 2012 was $3,783 thousand (2011 - $3,624 thousand).

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

	2012	2011
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	**$ 9**	$ 19
- 2005	**19**	27
- 2006	**42**	54
- 2007	**115**	140
- 2008	**175**	204
- 2009	**9**	10
- 2010	**208**	231
- 2011	**42**	46
- 2012	**217**	235
- 2013	**45**	45
- 2014	**60**	-
	$ 941	$ 1,011

Included in interest earned is $63 thousand (2011 - $66 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.

7. *Debt*

	2012	2011
General Capital Fund debt issued by the City, maturing in 2015 with an interest rate of 4.0%	**$ 72**	$ 94

Debt to be retired over the next three years:

2013	$ 23
2014	24
2015	25
	$ 72


WEST END LIBRARY
WELCOME
WEST END LIBRARY
CROSS COUNTRY
West End Library
WEST END STORYBOOK BINGO
Hey kids!

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

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

Workers Compensation Reserve Fund

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

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

The Corporate Controller is the Fund Manager.

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

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

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

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

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

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

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

Insurance Reserve Fund

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

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

On January 10, 1973, City Council adopted the policy that cash payments received by the City in lieu of land dedication for open space be deposited in a fund to the credit of each community. On January 17, 1979, City Council amended that policy to permit proceeds from the sale of surplus Parks and Recreation lands to be deposited to the Contributions in Lieu of Land Dedication Reserve Fund account of the respective community. On September 19, 1990, City Council adopted the recommendation that revenue would be apportioned amongst the communities on the basis of 75% to the account of the community in which the revenue was collected and 25% to be divided equally amongst all communities. This change was phased in over three years commencing in 1991.

Expenses are limited to the acquisition or improvement of land for parks, recreation facilities, or open space.

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

Land Operating Reserve Fund

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

Disbursements from this Reserve are limited to the acquisition cost of properties for resale, and any other expenses directly related to the acquisition, sale and improvement of disposable City properties. Use of the Reserve's funds for any other purpose requires the authorization of City Council. This Reserve is maintained by the proceeds from the sale of City-owned properties and interest earned.

In accordance with City Council directives, 5% of the gross sales revenue is allocated to the Historical Building Program and another 5% of gross sales revenue is allocated to the Enhanced Land Marketing Program to finance those activities necessary to facilitate the sale of surplus lands.

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

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

Recreation Programming Reserve Fund

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

The Reserve fund balance is annually affected by the amount of the unexpended budgets in the recreation programming centres in the General Revenue Fund (or reduced by any over expenditure) and by interest earned. Expenses are limited to goods and services of the recreation programming type under the delegated authority of the Community Committee.

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

The Director of Community Services is the Fund Manager.

Snow Clearing Reserve Fund

The purpose of the fund is to absorb unexpected snowfall costs in years where the City experienced above average snowfall levels.

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

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

Commitment Reserve Fund

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

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

The Chief Financial Officer is the Fund Manager.

Heritage Investment Reserve Fund

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

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

Housing Rehabilitation Investment Reserve Fund

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

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

Economic Development Investment Reserve Fund

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

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

General Purpose Reserve Fund

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund. The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve was contingent upon approval by City Council.

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

The City Treasurer is the Fund Manager.

Multiple-Family Dwelling Tax Investment Reserve Fund

On May 22, 2002, City Council approved the establishment of the Multiple-Family Dwelling Tax Investment Reserve Fund. The Reserve is designed to act as a bank that accumulates incremental taxes generated by approved multi-family dwelling construction/rehabilitation projects. When the incremental taxes for each project accumulates to the pre-approved amount, the balance is paid back to the applicant developer as a "Tax Incentive Grant".

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

Insect Control Urgent Expenditures Reserve Fund

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City of Winnipeg experiences above average response levels.

The Reserve balance should never exceed $3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of $3.0 million in the event of insufficient funds.

The Director of Public Works is the Fund Manager.

Permit Reserve Fund

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

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

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

Destination Marketing Reserve Fund

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

The Chief Financial Officer is the Fund Manager.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW

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

	2012	2011	2010	2009	2008
Workers Compensation Reserve Fund					
Call loans - General Revenue Fund	**$ 3,367**	$ 2,882	$ 2,758	$ 1,183	$ 3,500
Investments	**$ 1,000**	$ 999	$ -	$ 1,990	$ -
Interest earned	**$ 47**	$ 27	$ 18	$ 13	$ 146
Brookside Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 470**	$ 426	$ 1,263	$ 1,334	$ (174)
Investments	**$ 13,344**	$ 12,340	$ 11,193	$ 10,617	$ 11,649
Interest earned	**$ 612**	$ 606	$ 741	$ 533	$ 396
St. Vital Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 5**	$ 136	$ 100	$ 51	$ 7
Investments	**$ 799**	$ 649	$ 635	$ 655	$ 669
Interest earned	**$ 34**	$ 52	$ 29	$ 33	$ 32
Transcona Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 5**	$ 88	$ 95	$ 62	$ 28
Investments	**$ 563**	$ 464	$ 423	$ 436	$ 445
Interest earned	**$ 25**	$ 37	$ 19	$ 23	$ 21
Insurance Reserve Fund					
Call loans - General Revenue Fund	**$ 5,603**	$ 4,103	$ 2,527	$ (238)	$ (124)
Investments	**$ 1,000**	$ 999	$ 926	$ 1,842	$ 1,858
Interest earned	**$ 59**	$ 39	$ 65	$ 80	$ 165
Contributions in Lieu of Land Dedication Reserve Fund					
Cash dedications revenue	**$ 752**	$ 707	$ 289	$ 2,564	$ 776
Interest earned	**$ 46**	$ 45	$ 27	$ 15	$ 115
Park improvement expenses	**$ 432**	$ 416	$ 858	$ 693	$ 1,161
Land Operating Reserve Fund					
Number of properties sold	**47**	37	70	96	125
Number acquired - tax sale	**2**	4	-	-	7
Number exchanged	**1**	-	2	1	1
Recreation Programming Reserve Fund					
Transfer from General Revenue Fund	**$ 279**	$ 490	$ 330	$ 447	$ -
Total expenses	**$ 550**	$ 271	$ 338	$ 452	$ 41
Number approved Programs/Projects	**-**	4	11	2	5

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

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

	2012	2011	2010	2009	2008
Snow Clearing Reserve Fund					
Transfer (to)/from					
General Revenue Fund	**$ -**	$ -	$ -	$ (4,370)	$ 4,361
Commitment Reserve Fund					
Allocation of equity:					
Corporate and other	**$ 3,308**	$ 961	$ 355	$ 837	$ 455
Planning, Property and Development	**494**	-	-	155	563
Community Services	**441**	128	414	361	1,068
Police Service	**205**	882	-	94	441
Corporate Support Services	**150**	-	-	1,208	1,390
Fire Paramedic Services	**-**	239	300	157	462
Public Works	**-**	135	-	-	365
Assessment and Taxation	**-**	-	-	75	-
	$ 4,598	$ 2,345	$ 1,069	$ 2,887	$ 4,744
Heritage Investment Reserve Fund					
Municipal realty tax revenue	**$ 1,095**	$ 1,199	$ 1,031	$ 1,211	$ 1,011
Housing Rehabilitation Investment Reserve Fund					
Grant expense	**$ 852**	$ 919	$ 808	$ 825	$ 1,045
Economic Development Investment Reserve Fund					
Municipal realty tax revenue	**$ 648**	$ 263	$ 87	$ 7	$ 133
General Purpose Reserve Fund					
Net transfer from (to) General Revenue Fund	**$ 5,158**	$ 1,700	$ (5,283)	$ 8,993	$ 2,560
Net transfer from (to) General Capital Fund	**$ (370)**	$ 2,106	$ (1,700)	$ 12	$ (1,535)
Grants	**$ -**	$ -	$ -	$ -	$ 4,900
Interest earned	**$ 102**	$ 63	$ 69	$ 23	$ 236
Multiple-Family Dwelling Tax Investment Reserve Fund					
Municipal realty tax revenue	**$ 2,198**	$ 2,259	$ 1,793	$ 941	$ 1,192
Interest earned	**$ 51**	$ 38	$ 14	$ 8	$ 21
Insect Control Urgent Expenditures Reserve Fund					
Net transfer from (to) General Revenue Fund	**$ 153**	$ 2,323	$ 112	$ (321)	$ (1,198)

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

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

	2012	2011	2010	2009	2008
Permit Reserve Fund					
Net transfer (to) from General Revenue Fund	**$ (30)**	$ (769)	$ 1,686	$ (391)	$ (953)
Destination Marketing Reserve Fund					
Accommodation tax revenue	**$ 7,684**	$ 7,585	$ 7,053	$ 6,820	$ -
Grants expense:					
Economic Development Winnipeg Inc.	**$ 2,989**	$ 2,606	$ 2,638	$ 3,060	$ -
The Convention Centre Corporation Inc.	**2,155**	2,415	1,500	1,500	-
	$ 5,144	$ 5,021	$ 4,138	$ 4,560	$ -

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Sub-Total
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ -	$ -	$ -	$ -
Call loans - General Revenue Fund (Note 4)	3,367	470	5	3,842
Accounts receivable	1	121	10	132
Land held for resale	-	-	-	-
	3,368	591	15	3,974
Investments (Note 5)	1,000	13,344	799	15,143
Investment in government business (Note 6)	-	-	-	-
Deferred charges	-	-	-	-
	$ 4,368	$ 13,935	$ 814	$ 19,117
LIABILITIES				
Current				
Accounts payable	$ -	$ -	$ -	$ -
Due to Winnipeg Parking Authority - SOA	-	-	-	-
	-	-	-	-
EQUITY				
Contributed surplus (Note 7)	-	-	-	-
Allocated	-	-	-	-
Unallocated	4,368	13,935	814	19,117
	4,368	13,935	814	19,117
	$ 4,368	$ 13,935	$ 814	$ 19,117

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-Total Brought Forward	Transcona Cemetery Reserve	Insurance Reserve	Land Dedication Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ -**	**$ -**	**$ -**	**$ 4,851**
Call loans - General Revenue Fund (Note 4)	**3,842**	**5**	**5,603**	**-**
Accounts receivable	**132**	**8**	**1**	**-**
Land held for resale	**-**	**-**	**-**	**-**
	3,974	**13**	**5,604**	**4,851**
Investments (Note 5)	**15,143**	**563**	**1,000**	**-**
Investment in government business (Note 6)	**-**	**-**	**-**	**-**
Deferred charges	**-**	**-**	**-**	**-**
	$ 19,117	**$ 576**	**$ 6,604**	**$ 4,851**
LIABILITIES				
Current				
Accounts payable	**$ -**	**$ -**	**$ -**	**$ 1**
Due to Winnipeg Parking Authority - SOA	**-**	**-**	**-**	**-**
	-	**-**	**-**	**1**
EQUITY				
Contributed surplus (Note 7)	**-**	**-**	**-**	**-**
Allocated	**-**	**-**	**-**	**-**
Unallocated	**19,117**	**576**	**6,604**	**4,850**
	19,117	**576**	**6,604**	**4,850**
	$ 19,117	**$ 576**	**$ 6,604**	**$ 4,851**

See accompanying notes to the financial statements

Land Operating Reserve	Recreation Programming Reserve	Snow Clearing Reserve	Commitment Reserve	Heritage Investment Reserve	Housing Rehabilitation Reserve	Sub-Total
$ 6,083	$ 5	$ -	$ 4,598	$ 2,189	$ 4,797	$ 22,523
-	-	-	-	-	-	9,450
2,720	-	-	-	731	-	3,592
12,627	-	-	-	-	-	12,627
21,430	5	-	4,598	2,920	4,797	48,192
1,172	-	-	-	-	-	17,878
7,602	-	-	-	-	-	7,602
57	-	-	-	-	-	57
$ 30,261	$ 5	$ -	$ 4,598	$ 2,920	$ 4,797	$ 73,729
$ 7,033	$ -	$ -	$ -	$ -	$ -	$ 7,034
10,000	-	-	-	-	-	10,000
17,033	-	-	-	-	-	17,034
8,425	-	-	-	-	-	8,425
(2)	-	-	-	-	-	(2)
4,805	5	-	4,598	2,920	4,797	48,272
4,803	5	-	4,598	2,920	4,797	48,270
$ 30,261	$ 5	$ -	$ 4,598	$ 2,920	$ 4,797	$ 73,729

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-Total Brought Forward	Economic Development Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 22,523**	**$ 2,225**	**$ 15,921**	**$ 6,073**
Call loans - General Revenue Fund (Note 4)	**9,450**	**-**	**-**	**-**
Accounts receivable	**3,592**	**-**	**-**	**-**
Land held for resale	**12,627**	**-**	**-**	**-**
	48,192	**2,225**	**15,921**	**6,073**
Investments (Note 5)	**17,878**	**-**	**-**	**-**
Investment in government business (Note 6)	**7,602**	**-**	**-**	**-**
Deferred charges	**57**	**-**	**-**	**-**
	$ 73,729	**$ 2,225**	**$ 15,921**	**$ 6,073**
LIABILITIES				
Current				
Accounts payable	**$ 7,034**	**$ -**	**$ -**	**$ -**
Due to Winnipeg Parking Authority - SOA	**10,000**	**-**	**-**	**-**
	17,034	**-**	**-**	**-**
EQUITY				
Contributed surplus (Note 7)	**8,425**	**-**	**-**	**-**
Allocated	**(2)**	**-**	**-**	**-**
Unallocated	**48,272**	**2,225**	**15,921**	**6,073**
	48,270	**2,225**	**15,921**	**6,073**
	$ 73,729	**$ 2,225**	**$ 15,921**	**$ 6,073**

See accompanying notes to the financial statements

Insect Control Reserve	Permit Reserve	Destination Marketing Reserve	Totals 2012	Totals 2011
$ 3,000	$ 2,001	$ 12,254	$ 63,997	$ 62,478
-	-	-	9,450	7,635
-	-	475	4,067	3,443
-	-	-	12,627	12,365
3,000	2,001	12,729	90,141	85,921
-	-	-	17,878	19,553
-	-	-	7,602	-
-	-	-	57	45
$ 3,000	$ 2,001	$ 12,729	$ 115,678	$ 105,519
$ -	$ -	$ -	$ 7,034	$ 5,113
-	-	-	10,000	10,000
-	-	-	17,034	15,113
-	-	-	8,425	8,425
-	-	12,729	12,727	10,184
3,000	2,001	-	77,492	71,797
3,000	2,001	12,729	90,219	81,981
$ 3,000	$ 2,001	$ 12,729	$ 115,678	$ 105,519

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Transcona Cemetery Reserve
Balance, beginning of year	$ 3,883	$ 12,944	$ 794	$ 558
Add:				
Transfer from General Revenue Fund	-	66	13	13
Other (Note 6)	1,047	668	-	-
Accommodation tax	-	-	-	-
Land sales	-	-	-	-
Municipal realty tax	-	-	-	-
Interest earned	47	612	34	25
Cash payments-in-lieu of land dedication	-	-	-	-
Transfer from Waterworks System Fund	-	-	-	-
Transfer from Transit System Fund	-	-	-	-
Transfer from Municipal Accommodations Fund	-	-	-	-
Transfer from Land Operating Reserve	-	-	-	-
Transfer from General Capital Fund	-	-	-	-
Transfer from Solid Waste Disposal Fund	-	-	-	-
Transfer from Sewage Disposal System Fund	-	-	-	-
Transfer from Winnipeg Parking - SOA	-	-	-	-
Transfer from Animal Services - SOA	-	-	-	-
	1,094	1,346	47	38
Deduct:				
Transfer to General Revenue Fund	-	314	25	18
Grants	-	-	-	-
Transfer to General Capital Fund	-	-	-	-
Other	595	-	-	-
Cost of sales	-	-	-	-
Transfer to General Revenue Enterprises	-	-	-	-
Transfer to Municipal Accommodations Fund	-	-	-	-
Transfer to Contributions in Lieu of Land Dedication Reserve	-	-	-	-
Transfer to General Revenue Fund - investment management fee	14	41	2	2
Transfer to Financial Stabilization Reserve	-	-	-	-
Transfer to Fleet Management - SOA	-	-	-	-
Transfer to Golf Services - SOA	-	-	-	-
Transfer to Sewage Disposal System Fund	-	-	-	-
Transfer to Winnipeg Parking - SOA	-	-	-	-
Transfer to Animal Services - SOA	-	-	-	-
	609	355	27	20
Balance, end of year	$ 4,368	$ 13,935	$ 814	$ 576

See accompanying notes to the financial statements

Insurance Reserve	Land Dedication Reserve	Land Operating Reserve	Recreation Programming Reserve	Snow Clearing Reserve	Sub-Total
$ 5,103	$ 4,800	$ 10,901	$ 273	$ -	$ 39,256
1,245	-	-	279	-	1,616
1,060	-	4,171	-	-	6,946
-	-	-	-	-	-
-	-	5,583	-	-	5,583
-	-	-	-	-	-
59	46	182	3	-	1,008
-	752	-	-	-	752
417	-	-	-	-	417
393	-	-	-	-	393
-	-	-	-	-	-
-	312	-	-	-	312
-	-	293	-	-	293
20	-	-	-	-	20
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,194	1,110	10,229	282	-	17,340
1,000	-	6,119	-	-	7,476
-	-	-	-	-	-
340	613	5,821	-	-	6,774
-	432	472	271	-	1,770
-	-	2,944	-	-	2,944
-	-	609	-	-	609
110	-	-	278	-	388
-	-	312	-	-	312
					-
17	15	50	1	-	142
-	-	-	-	-	-
95	-	-	-	-	95
75	-	-	-	-	75
36	-	-	-	-	36
18	-	-	-	-	18
2	-	-	-	-	2
1,693	1,060	16,327	550	-	20,641
$ 6,604	$ 4,850	$ 4,803	$ 5	$ -	$ 35,955

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Sub-Total Brought Forward	Commitment Reserve	Heritage Investment Reserve	Housing Rehabilitation Reserve
Balance, beginning of year	**$ 39,256**	**$ 2,345**	**$ 5,468**	**$ 2,355**
Add:				
Transfer from General Revenue Fund	**1,616**	**3,450**	**-**	**1,193**
Other	**6,946**	**-**	**-**	**2,142**
Accommodation tax	**-**	**-**	**-**	**-**
Land sales	**5,583**	**-**	**-**	**-**
Municipal realty tax	**-**	**-**	**1,095**	**-**
Interest earned	**1,008**	**-**	**59**	**21**
Cash payments-in-lieu of land dedication	**752**	**-**	**-**	**-**
Transfer from Waterworks System Fund	**417**	**-**	**-**	**-**
Transfer from Transit System Fund	**393**	**-**	**-**	**-**
Transfer from Municipal Accommodations Fund	**-**	**371**	**-**	**-**
Transfer from Land Operating Reserve	**312**	**-**	**-**	**-**
Transfer from General Capital Fund	**293**	**-**	**-**	**-**
Transfer from Solid Waste Disposal Fund	**20**	-	-	-
Transfer from Sewage Disposal System Fund	**-**	**-**	**-**	**-**
Transfer from Winnipeg Parking - SOA	**-**	**-**	**-**	**-**
Transfer from Animal Services - SOA	**-**	**-**	**-**	**-**
	17,340	**3,821**	**1,154**	**3,356**
Deduct:				
Transfer to General Revenue Fund	**7,476**	**-**	**1,000**	**-**
Grants	**-**	**72**	**1,500**	**852**
Transfer to General Capital Fund	**6,774**	**150**	**-**	**-**
Other	**1,770**	**1,112**	**1,190**	**56**
Cost of sales	**2,944**	**-**	**-**	**-**
Transfer to General Revenue Enterprises	**609**	**-**	**-**	**-**
Transfer to Municipal Accommodations Fund	**388**	**-**	**-**	**-**
Transfer to Contributions in Lieu of Land Dedication Reserve	**312**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**142**	**-**	**12**	**6**
Transfer to Financial Stabilization Reserve	**-**	**234**	**-**	**-**
Transfer to Fleet Management - SOA	**95**	**-**	**-**	**-**
Transfer to Golf Services - SOA	**75**	**-**	**-**	**-**
Transfer to Sewage Disposal System Fund	**36**	**-**	**-**	**-**
Transfer to Winnipeg Parking - SOA	**18**	**-**	**-**	**-**
Transfer to Animal Services - SOA	**2**	**-**	**-**	**-**
	20,641	**1,568**	**3,702**	**914**
Balance, end of year	**$ 35,955**	**$ 4,598**	**$ 2,920**	**$ 4,797**

See accompanying notes to the financial statements

Economic Development Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Insect Control Reserve	Permit Reserve	Sub-Total
$ 1,774	$ 11,063	$ 4,683	$ 2,833	$ 2,018	$ 71,795
-	15,858	-	2,353	854	25,324
-	-	16	-	-	9,104
-	-	-	-	-	-
-	-	-	-	-	5,583
648	-	2,198	-	-	3,941
19	102	51	20	19	1,299
-	-	-	-	-	752
-	-	-	-	-	417
-	-	-	-	-	393
-	-	-	-	-	371
-	-	-	-	-	312
-	-	-	-	-	293
-	-	-	-	-	20
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
667	15,960	2,265	2,373	873	47,809
-	10,700	-	2,200	884	22,260
210	-	859	-	-	3,493
-	370	-	-	-	7,294
-	-	-	-	-	4,128
-	-	-	-	-	2,944
-	-	-	-	-	609
-	-	-	-	-	388
					-
-	-	-	-	-	312
					-
6	32	16	6	6	226
-	-	-	-	-	234
-	-	-	-	-	95
-	-	-	-	-	75
-	-	-	-	-	36
-	-	-	-	-	18
-	-	-	-	-	2
216	11,102	875	2,206	890	42,114
$ 2,225	$ 15,921	$ 6,073	$ 3,000	$ 2,001	$ 77,490

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Sub-Total Brought Forward	**Destination Marketing Reserve**	**Totals 2012**	Totals 2011
Balance, beginning of year	**$ 71,795**	**$ 10,186**	**$ 81,981**	$ 71,973
Add:				
Transfer from General Revenue Fund	**25,324**	**-**	**25,324**	18,004
Other	**9,104**	**-**	**9,104**	1,750
Accommodation tax	**-**	**7,684**	**7,684**	7,585
Land sales	**5,583**	**-**	**5,583**	6,922
Municipal realty tax	**3,941**	**-**	**3,941**	3,721
Interest earned	**1,299**	**92**	**1,391**	1,566
Cash payments-in-lieu of land dedication	**752**	**-**	**752**	707
Transfer from Waterworks System Fund	**417**	**-**	**417**	95
Transfer from Transit System Fund	**393**	**-**	**393**	503
Transfer from Municipal Accommodations Fund	**371**	**-**	**371**	-
Transfer from Land Operating Reserve	**312**	**-**	**312**	-
Transfer from General Capital Fund	**293**	**-**	**293**	8,110
Transfer from Solid Waste Disposal Fund	**20**	**-**	**20**	32
Transfer from Sewage Disposal System Fund	**-**	**-**	**-**	110
Transfer from Winnipeg Parking - SOA	**-**	**-**	**-**	20
Transfer from Animal Services - SOA	**-**	**-**	**-**	2
	47,809	**7,776**	**55,585**	49,127
Deduct:				
Transfer to General Revenue Fund	**22,260**	**60**	**22,320**	17,418
Grants	**3,493**	**5,144**	**8,637**	7,347
Transfer to General Capital Fund	**7,294**	**-**	**7,294**	6,982
Other	**4,128**	**-**	**4,128**	2,802
Cost of sales	**2,944**	**-**	**2,944**	3,383
Transfer to General Revenue Enterprises	**609**	**-**	**609**	346
Transfer to Municipal Accommodations Fund	**388**	**-**	**388**	416
Transfer to Contributions in Lieu of Land Dedication Reserve	**312**	**-**	**312**	-
Transfer to General Revenue Fund - investment management fee	**226**	**29**	**255**	277
Transfer to Financial Stabilization Reserve	**234**	**-**	**234**	26
Transfer to Fleet Management - SOA	**95**	**-**	**95**	64
Transfer to Golf Services - SOA	**75**	**-**	**75**	58
Transfer to Sewage Disposal System Fund	**36**	**-**	**36**	-
Transfer to Winnipeg Parking - SOA	**18**	**-**	**18**	-
Transfer to Animal Services - SOA	**2**	**-**	**2**	-
	42,114	**5,233**	**47,347**	39,119
Balance, end of year	**$ 77,490**	**$ 12,729**	**$ 90,219**	$ 81,981

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. Significant Accounting Policies

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

a) Basis of presentation

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

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

Insurance Reserve Fund
Contributions in Lieu of Land Dedication Reserve Fund
Land Operating Reserve Fund
Recreation Programming Reserve Fund
Snow Clearing Reserve Fund
Commitment Reserve Fund
Heritage Investment Reserve Fund
Housing Rehabilitation Investment Reserve Fund
Economic Development Investment Reserve Fund
General Purpose Reserve Fund
Multi-Family Dwelling Tax Investment Reserve Fund
Insect Control Urgent Expenditures Reserve Fund
Permit Reserve Fund
Destination Marketing Reserve Fund

b) Basis of accounting

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

c) Land held for resale

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

d) Investment in bonds

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

e) Bond coupons

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

1. *Significant Accounting Policies (continued)*

f) Investment in government business

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

2. *Status of the Special Purpose Reserves*

Workers Compensation Reserve Fund

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

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

The Corporate Controller is the Fund Manager.

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

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

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

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

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

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

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

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

Insurance Reserve Fund

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

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

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

Land Operating Reserve Fund

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

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

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

Recreation Programming Reserve Fund

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

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

The Director of Community Services is the Fund Manager.

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

Snow Clearing Reserve Fund

The purpose of the fund is to absorb unexpected snowfall costs in years where the City experienced above average snowfall levels.

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

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

The Director of Public Works is the Fund Manager.

Commitment Reserve Fund

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

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

The Chief Financial Officer is the Fund Manager.

Heritage Investment Reserve Fund

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

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

Housing Rehabilitation Investment Reserve Fund

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

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

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

Economic Development Investment Reserve Fund

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

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

General Purpose Reserve Fund

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund. The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve was contingent upon approval by City Council.

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

Multiple-Family Dwelling Tax Investment Reserve Fund

On May 22, 2002, City Council approved the establishment of the Multiple-Family Dwelling Tax Investment Reserve Fund. The Reserve is designed to act as a bank that accumulates incremental taxes generated by approved multi-family dwelling construction/rehabilitation projects. When the incremental taxes for each project accumulates to the pre-approved amount, the balance is paid back to the applicant developer as a "Tax Incentive Grant".

Insect Control Urgent Expenditures Reserve Fund

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City of Winnipeg experiences above average response levels. The Reserve is funded through an annual transfer from the operating budget and any year end unexpended insect control mill rate support budget. The Reserve balance should never exceed $3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of $3.0 million in the event of insufficient funds.

The Director of Public Works is the Fund Manager.

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

Permit Reserve Fund

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

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

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

Destination Marketing Reserve Fund

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

Guidelines established for the Reserve include the following:

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

The Chief Financial Officer is the Fund Manager.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).

4. *Call Loans - General Revenue Fund*

Call loans represent short-term investments with The City of Winnipeg - General Revenue Fund which are callable by the Fund upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

5. *Investments*

	2012	2011
Marketable securities		
Provincial bonds and bond coupons	**$ 4,305**	$ 4,303
Municipal bonds	**12,401**	11,148
	16,706	15,451
Other	**1,172**	4,102
	$ 17,878	$ 19,553

The aggregate market value of marketable securities at December 31, 2012 was $18,714 thousand (2011 - $18,056 thousand).

6. *Investment in Government Business*

River Park South Developments Inc.

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

The results of operations in 2012 of $3,985 thousand (2011 - $nil) are included in the Statement of Changes in Equity as other revenue.

7. *Contributed Surplus*

On April 27, 1994, City Council, retroactive to December 31, 1993, approved by way of a capital reorganization the transfer of $17.3 million from the Land Operating Reserve Fund to the General Revenue Fund to fund the accrued liability for assessment appeal refunds and interest.

THE CITY OF WINNIPEG
TRUST FUNDS

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

	St. Boniface Museum Board Trust	Library Trust	Portage and Main Concourse Trust	2012 Totals	2011 Totals
ASSETS					
Current					
Due from General Revenue Fund (Note 3)	**$ -**	**$ 358,622**	**$ 1,649**	**$ 360,271**	$ 410,759
EQUITY					
Unallocated	**$ -**	**$ 358,622**	**$ 1,649**	**$ 360,271**	$ 410,759

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

STATEMENT OF CHANGES IN TRUST ACCOUNTS

For the years ended December 31
(unaudited)

	St. Boniface Museum Board Trust	Library Trust	Portage and Main Concourse Trust	2012 Totals	2011 Totals
Opening balance	**$ 41,302**	**$ 367,839**	**$ 1,618**	**$ 410,759**	$ 587,016
Add:					
Contributions	**-**	**305,605**	**-**	**305,605**	362,696
Interest earned	**-**	**3,737**	**31**	**3,768**	5,657
	-	**309,342**	**31**	**309,373**	368,353
Deduct:					
Disbursements	**41,302**	**318,559**	**-**	**359,861**	544,610
Closing balance	**$ -**	**$ 358,622**	**$ 1,649**	**$ 360,271**	$ 410,759

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(unaudited)

1. *Significant Accounting Policies*

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

a) Basis of presentation

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

b) Basis of accounting

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

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

St. Boniface Museum Board Trust

On September 13, 2010, The Standing Policy Committee on Protection and Community Services approved the recommendation of the City of Winnipeg Museums Board to transfer St. Boniface Museum's banking, payroll and accounting services currently provided by The City of Winnipeg to the St. Boniface Museum. As a result of this change in accounting, all remaining funds in the St. Boniface Museum Board Trust Fund were returned to the St. Boniface Museum and it was closed on April 26, 2012.

Library Trust

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

Portage and Main Concourse Trust

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

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF FINANCIAL POSITION

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

		2012		2011
ASSETS				
Current				
Due from General Revenue Fund (Note 2)	**$**	**2,099**	$	2,079
Investment (Note 3)		**1,148**		1,148
	$	**3,247**	$	3,227
RETAINED EARNINGS	**$**	**3,247**	$	3,227

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF NET EARNINGS (LOSS) AND RETAINED EARNINGS

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

	2012	2011
REVENUES		
Interest	**$ 20**	$ 72
EXPENSES		
Transfer to General Capital Fund	**-**	5,602
Net earnings (loss) for the year	**20**	(5,530)
RETAINED EARNINGS, BEGINNING OF YEAR	**3,227**	8,757
RETAINED EARNINGS, END OF YEAR	**$ 3,247**	$ 3,227

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. *Summary of Significant Accounting Policies*

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

a) Basis of accounting

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

2. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).

3. *Investment*

	2012	2011
Fleet Management - Special Operating Agency	**$ 1,148**	$ 1,148

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

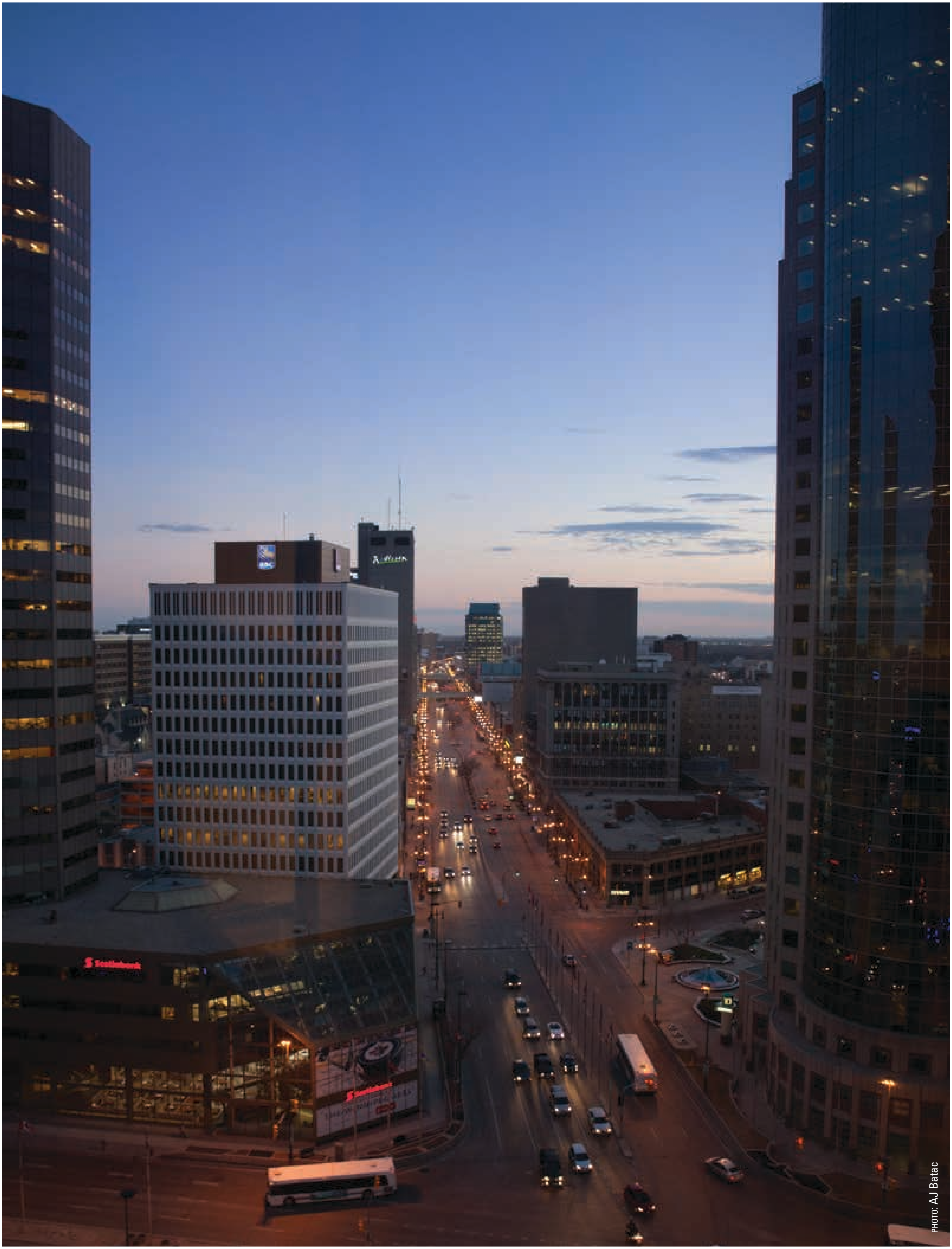

PHOTO: AJ Batac

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

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

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

On June 20, 2007, City Council concurred in the recommendations of Executive Policy Committee and adopted an amendment to the City Organization By-law No. 7100/97 "such that the facilities maintenance and security function be moved from the Public Works Department to the Planning, Property and Development Department, and further that “facility maintenance” be transferred from the jurisdiction of the Standing Policy Committee on Infrastructure Renewal and Public Works to the Standing Policy Committee on Property and Development, effective as of September 17, 2007." As a result, the former Civic Accommodations Division of the Planning, Property and Development Department and the former Building Services Division of the Public Works Department were combined to form the Municipal Accommodations Division in the Planning, Property and Development Department.

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

The buildings receiving services include Community Services Department's recreation buildings, which are pools, arenas, recreation centres, community centres; Public Works Department's parks and open spaces buildings, accommodations facilities, cemeteries and Winnipeg Parking Authority and Golf Services Special Operating Agencies' facilities.

FIVE-YEAR REVIEW
As at December 31
(unaudited)

	2012	2011	2010	2009	2008
Number of facilities	**128**	129	131	125	130
Total area square footage	**2,456,441**	2,455,171	2,471,474	2,409,827	2,457,460

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

STATEMENT OF FINANCIAL POSITION

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

	2012	2011
ASSETS		
Current		
Cash	**$ -**	$ 23
Due from General Revenue Fund (Note 3)	**10,565**	204
Accounts receivable	**47**	328
Prepaid expenses	**697**	659
	$ 11,309	$ 1,214
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	**$ 11,239**	$ 1,050
Deferred revenue	**70**	164
	$ 11,309	$ 1,214

Commitments (Note 5)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

STATEMENT OF OPERATIONS

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

	2012 Budget	2012 Actual	2011 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 7b)	**$ 61,270**	**$ 61,542**	$ 66,609
Investment and other	**304**	**349**	345
Other rental	**67**	**42**	51
Total Revenues	**61,641**	**61,933**	67,005
EXPENSES			
Municipal accommodations	**45,192**	**45,636**	45,384
Transfer to General Capital Fund	**13,377**	**13,018**	13,414
Transfer to General Revenue Fund	**3,072**	**3,279**	8,207
Total Expenses (Note 8)	**61,641**	**61,933**	67,005
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

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

- expenses for accrued vacation costs, compensated absences, retirement allowance, workers compensation claims, and insurance claims are recorded when payment is incurred.

c) Deferred revenue

Certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

d) Debt and finance charges

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

2. Status of the Municipal Accommodations Fund

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

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

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

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).

4. Accounts Payable and Accrued Liabilities

	2012	2011
Accounts payable and accrued liabilities	**$ 7,547**	$ 347
Performance deposits	**2,874**	33
Accrued interest on long-term debt	**601**	434
Wages and employee benefits	**217**	236
	$ 11,239	$ 1,050

5. Commitments

Lease commitments

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

2013	$ 4,922
2014	3,992
2015	3,682
2016	3,550
2017	3,379
Subsequent	44,809
	$ 64,334

6. Employee Benefits

a) Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2012 at $1.8 million (2011 - $2.0 million).

b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2012 at $619 thousand (2011 - $657 thousand).

c) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2012 is estimated at $1.3 million (2011 - $1.4 million).

d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2012 is estimated at $619 thousand (2011 - $510 thousand).

e) Municipal Accommodations employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $1.2 million (2011 - $1.1 million) of pension costs were allocated to Municipal Accommodations. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and has disclosed an actuarial surplus.

7. Contributions and Appropriations from Related Parties

a) Included in Municipal Accommodations Fund expenses are:
- Rental payments in the amount of $730 thousand (2011 - $529 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles; Non vehicle manufacturing services were also purchased from the Agency in the amount of $190 thousand (2011 - $206 thousand);
- Recovery from the Insurance Reserve of $110 thousand (2011 - $3 thousand);
- Transfer to the Computer Replacement Reserve of $11 thousand (2011 - $91 thousand);
- Transfer to the Commitment Reserve of $371 thousand (2011 - $nil);
- General government charges in the amount of $557 thousand (2011 - $557 thousand) to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to Municipal Accommodations; and
- Parking space rental to Winnipeg Parking Authority in the amount of $7 thousand (2011 - $10 thousand).

7. Contributions and Appropriations from Related Parties (continued)

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

	2012	2011
General Revenue Fund	**$ 57,424**	$ 59,779
Waterworks System	**1,189**	1,100
Sewage Disposal System	**1,109**	1,100
Municipal Accommodations Fund	**602**	572
Recreation Programming Reserve	**278**	253
Transit System	**269**	275
Animal Services - Special Operating Agency	**211**	211
Fleet Management - Special Operating Agency	**196**	195
Winnipeg Parking Authority - Special Operating Agency	**127**	123
Solid Waste Disposal Fund	**120**	147
Golf Services - Special Operating Agency	**17**	17
General Capital Fund	**-**	2,677
Commitment Reserve	**-**	160
	$ 61,542	$ 66,609

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

8. Expenses by Object

	2012 Budget	**2012 Actual**	2011 Actual
Services, materials and supplies	**$ 29,180**	**$ 28,577**	$ 27,342
Salaries and employee benefits	**17,161**	**17,087**	16,416
Transfer to General Capital Fund	**13,377**	**13,018**	13,414
Transfer to General Revenue Fund	**3,072**	**3,279**	8,207
Other grants and transfers	**448**	**995**	3,476
Transfer to Municipal Accommodations Fund	**602**	**602**	572
Debt and finance charges	**27**	**160**	3
Recoveries	**(2,226)**	**(1,785)**	(2,425)
	$ 61,641	**$ 61,933**	$ 67,005

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 Municipal 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
EXCHANGE
BANNATYNE
AVENUE

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

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

THE CITY OF WINNIPEG
TRANSIT SYSTEM

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

Passenger revenue increased by $2.7 million from 2011, a 3.9% increase. Revenue passengers for 2012 numbered over 48.9 million, a 3.2% increase from 2011. This is the tenth consecutive annual increase.

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

Through the Province's Building Manitoba Fund, an operating transfer of $33.2 million was provided to Winnipeg's transit system. This is $2.3 million more than the previous year. The Province of Manitoba's capital grant commitment was $10.4 million, increasing by $1.2 million from the previous year.

For purposes of funding capital investments, funds transferred to the Transit System included $5.6 million from the Federal Gas Tax Reserve, $10.1 million from the Transit Bus Replacement Reserve, and $2.1 million from the Rapid Transit Infrastructure Reserve.

The appropriation from the General Revenue Fund increased by $2.1 million from the previous year, a component of the net increase in revenues of $9.7 million. Operating expenses increased by $7.6 million from the previous year. The majority of this increase was due to the impact of contractual agreements on salaries and wages, and additional costs related to operation of the Southwest Transitway.

Handi-transit's demand decreased from 2011 by 5.4%. Costs were higher than the previous year by $0.4 million mainly due to increased contractor rates.

Several achievements were realized during the year, including:

- During 2012, forty air-conditioned buses were delivered, continuing with the 2007 decision to have all future bus purchases include air conditioning.

- Thirty-four new transit shelters were placed during 2012.

- Construction commenced on the new Transit Garage that will house approximately 150 buses. Completion of the garage construction is expected in August 2013.

- Work began on the development of a new automated fare collection system. The new system will include the replacement of outdated fare box equipment and the introduction of new fare payment options. The system is expected to be implemented in 2013.

- On October 22, 2008, City Council approved funding for construction of the Southwest Rapid Transit Corridor - Stage 1. On April 8, 2012, Stage one of the Southwest Transitway opened. The corridor has improved the speed and reliability of transit service between downtown and the southwest quadrant of the city by allowing transit vehicles to bypass traffic congestion. The opening of the new transitway also included:
    - Three new state of the art stations that provide near-level boarding for passengers and heated, weather-protected passenger waiting areas.
    - Major bus stop upgrades downtown, along with the renovation of Balmoral Station.
    - New and upgraded Active Transportation Paths (ATP) built along the transitway.

THE CITY OF WINNIPEG
TRANSIT SYSTEM

FIVE-YEAR REVIEW

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

	2012	2011	2010	2009	2008
Financial Position					
Tangible capital assets	**$ 291,368**	$ 270,709	$ 216,871	$ 161,378	$ 107,273
Total assets	**$ 308,566**	$ 303,610	$ 259,965	$ 174,444	$ 120,421
Debt	**$ 112,260**	$ 115,056	$ 87,737	$ 28,618	$ 26,686
Total liabilities	**$ 117,460**	$ 130,611	$ 97,153	$ 36,333	$ 37,858
Operations					
Passenger revenue	**$ 72,672**	$ 69,946	$ 65,592	$ 63,906	$ 61,493
- in relation to total revenue	**45.22%**	46.31%	45.62%	47.38%	47.70%
Appropriation from General Revenue Fund	**$ 46,279**	$ 44,172	$ 43,200	$ 42,069	$ 38,414
- in relation to total revenue	**28.79%**	29.24%	30.04%	31.19%	29.80%
Provincial operating transfers	**$ 33,164**	$ 30,819	$ 27,877	$ 24,276	$ 25,130
Operations expenses	**$ 65,268**	$ 60,920	$ 60,730	$ 56,580	$ 53,647
Plant and equipment expenses	**$ 44,453**	$ 43,425	$ 38,429	$ 36,484	$ 38,339
Total expenses	**$ 140,895**	$ 133,290	$ 126,707	$ 117,972	$ 116,051
Cash Flows					
Operating activities	**$ 27,348**	$ 32,172	$ 38,039	$ 74,605	$ 16,705
Debt issued, net	**$ (165)**	$ 29,553	$ 60,324	$ 3,302	$ 3,271
Payments to The Sinking Fund Trustees, net	**$ (1,764)**	$ (1,486)	$ (559)	$ (650)	$ (650)
Capital expenses	**$ (38,521)**	$ (69,108)	$ (68,835)	$ (65,066)	$ (18,135)
Financial Statistics and Selected Ratios					
Regular cash fare, end of year	**$ 2.45**	$ 2.40	$ 2.35	$ 2.30	$ 2.25
Handi-transit -					
Annual ridership (in thousands)	**481.2**	508.6	511.1	517.6	544.9
Total cost per passenger	**$ 21.11**	$ 19.29	$ 17.95	$ 17.39	$ 16.16
Revenue to cost ratio	**10%**	12%	12%	12%	12%
Regular transit -					
Annual ridership (in millions)	**48.9**	47.4	45.2	43.9	42.6
Bus hours operated (in thousands)	**1,477**	1,424	1,412	1,396	1,382
Direct operating cost per passenger	**$ 2.52**	$ 2.47	$ 2.47	$ 2.42	$ 2.43
Direct operating cost per vehicle hour	**$ 83.37**	$ 82.14	$ 78.98	$ 75.51	$ 74.99
Revenue to cost ratio	**61%**	62%	62%	63%	61%
Municipal operating cost per capita	**$ 48.64**	$ 52.62	$ 51.64	$ 54.39	$ 54.65

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2012	2011
FINANCIAL ASSETS		
Cash	**$ 93**	$ 35
Accounts receivable (Note 3)	**2,839**	4,463
Due from General Revenue Fund (Note 4)	**9,061**	23,021
	11,993	27,519
LIABILITIES		
Accounts payable and accrued liabilities	**5,200**	15,555
Debt (Note 5)	**112,260**	115,056
	117,460	130,611
NET FINANCIAL LIABILITIES	**(105,467)**	(103,092)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**291,368**	270,709
Inventory (Note 7)	**4,366**	4,428
Prepaid expenses	**839**	954
	296,573	276,091
ACCUMULATED SURPLUS (Note 8)	**$ 191,106**	$ 172,999

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2012 Budget	2012 Actual	2011 Actual
REVENUES			
System generated (Note 9)	**$ 74,455**	**$ 75,228**	$ 72,222
Appropriation from General Revenue Fund	**46,404**	**46,279**	44,172
Provincial Government transfers (Note 10)	**36,422**	**34,698**	32,317
Appropriation from Rapid Transit Infrastructure Reserve	**3,270**	**3,270**	770
Interest and other	**1,294**	**1,244**	1,568
Total revenues from operations	**161,845**	**160,719**	151,049
EXPENSES			
Operations (Note 11)	**66,471**	**65,268**	60,920
Plant and equipment (Note 12)	**46,992**	**44,453**	43,425
Other departmental (Note 13)	**13,329**	**12,993**	11,785
Handi-transit	**9,501**	**9,788**	9,410
Finance and administration	**2,997**	**2,911**	2,738
Planning, schedules and marketing	**2,322**	**2,373**	2,009
Information systems	**1,325**	**1,314**	1,317
Customer services	**1,266**	**1,243**	1,231
Human resources	**598**	**552**	455
Total expenses from operations (Note 14)	**144,801**	**140,895**	133,290
Surplus for the year from operations	**17,044**	**19,824**	17,759
Net deficit from capital (Note 15)	**(17,044)**	**(1,717)**	(7,572)
NET SURPLUS FOR THE YEAR	**-**	**18,107**	10,187
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**-**	**172,999**	162,812
ACCUMULATED SURPLUS, END OF YEAR	**$ -**	**$ 191,106**	$ 172,999

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF CASH FLOWS

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

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 18,107**	$ 10,187
Non-cash items related to operations		
Amortization	**17,842**	15,252
Gain on disposal of tangible capital assets	**(47)**	(70)
Working capital from operations	**35,902**	25,369
Net change in other working capital	**(8,554)**	6,803
	27,348	32,172
FINANCING		
Non-cash items related to financing		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(867)**	(748)
Debt issued	**2,084**	31,977
Payments on other debt	**(2,249)**	(2,424)
Payments to The Sinking Fund Trustees for outstanding debt	**(1,764)**	(1,486)
Due from General Revenue Fund	**13,960**	9,688
	11,164	37,007
INVESTING		
Acquisition and construction of tangible capital assets	**(38,521)**	(69,108)
Proceeds on disposal of tangible capital assets	**67**	88
	(38,454)	(69,020)
Increase in cash	**58**	159
Cash, beginning of year	**35**	(124)
Cash, end of year	**$ 93**	$ 35

See accompanying notes and schedule to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. Significant Accounting Policies

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

Basis of accounting

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

Vacation credits, compensated absences, retirement allowance, workers compensation claims, and insurance claims which are accounted for on a cash basis.

a) Inventory

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

b) Tangible capital assets

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

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

Capital work in progress is not amortized until the asset is available for productive use.

c) Government transfers

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

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

1. *Significant Accounting Policies (continued)*

d) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant areas requiring the use of estimates include determination of useful lives of tangible capital assets, allowance for doubtful accounts receivable, obsolete inventory and employee benefits. Actual results could differ from those estimates.

2. *Status of the Transit System*

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

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

3. *Accounts Receivable*

	2012	2011
Advertising rights, charter and other	**$ 2,105**	$ 1,813
Province of Manitoba	**734**	2,650
	$ 2,839	$ 4,463

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amounts reported as cash represent bank deposits not yet charged to this account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).

5. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2012**	Amount of Debt 2011
1993-2013	Feb. 11	9.375	VN	6090/93	**$ 5,000**	$ 5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**6,500**	6,500
1995-2015	May 12	9.125	VR	6620/95	**7,000**	7,000
2010-2041	June 3	5.150	WB	183/2008	**60,000**	60,000
2011-2051	Nov. 15	4.300	WC	183/2008	**29,750**	29,750
					108,250	108,250
Funds on deposit with the Sinking Funds (Note 5b)					**(18,529)**	(15,898)
Net sinking fund debentures outstanding					**89,721**	92,352

Other debt outstanding

	2012	2011
Serial debentures issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.53% (2011 - 4.59%)	**1,459**	2,199
General Capital Fund debt issued by the City with varying maturities up to 2032 and a weighted average interest rate of 6.21% (2011 - 6.39%)	**21,080**	20,505
	$ 112,260	$ 115,056

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

	2013	2014	2015	2016	2017	Thereafter
Sinking fund debentures	$ 5,000	$ 6,500	$ 7,000	$ -	$ -	$ 89,750
Serial debentures	773	311	75	75	75	150
General Capital Fund debt	1,740	1,551	1,506	1,582	1,348	13,353
	$ 7,513	$ 8,362	$ 8,581	$ 1,657	$ 1,423	$ 103,253

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and the various utilities, including the Transit System, in the amounts shown in the issuing by-law.

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

5. Debt (continued)

c) Included in interest and finance charges expense is $1.3 million (2011 - $1.2 million) paid to the General Capital Fund.

d) Cash paid for interest during the year was $6.1 million (2011 - $4.8 million).

6. Tangible Capital Assets

	Net Book Value	
	2012	2011
Vehicles	**$ 113,716**	$ 107,332
Buildings	**6,240**	6,462
Land improvements	**14,313**	16,128
Land	**13,812**	13,748
Roads, bridges and tunnels	**122,496**	102,014
Other	**11,388**	12,112
Assets under construction	**9,403**	12,913
	$ 291,368	$ 270,709

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

7. Inventory

	2012	2011
Stores	**$ 4,233**	$ 4,317
Tickets, passes and other	**133**	111
	$ 4,366	$ 4,428

8. Accumulated Surplus

	2012	2011
Appropriated	**$ 6,263**	$ 4,093
Unappropriated	**5,735**	3,604
Total accumulated surplus	**11,998**	7,697
Invested in tangible capital assets	**179,108**	165,302
	$ 191,106	$ 172,999

9. System Generated

	2012 Budget	**2012 Actual**	2011 Actual
Passenger	**$ 72,229**	**$ 72,672**	$ 69,946
Advertising rights	**1,345**	**1,638**	1,512
Charter and other	**881**	**918**	764
	$ 74,455	**$ 75,228**	$ 72,222

10. Provincial Government Transfers

The Provincial Government provided transfers of $33.2 million (2011 - $30.8 million) towards the operation of the Transit System, $1.5 million (2011 - $1.5 million) as a Local Government Support Transfer and $10.4 million (2011 - $9.2 million) as a Capital Transfer.

11. *Operations*

	2012 Budget	2012 Actual	2011 Actual
Bus operators	**$ 60,957**	**$ 59,890**	$ 56,114
Inspectors	**2,567**	**2,337**	2,288
Operations administration	**1,837**	**1,821**	1,643
Instruction	**1,110**	**1,220**	875
	$ 66,471	**$ 65,268**	$ 60,920

12. *Plant and Equipment*

	2012 Budget	2012 Actual	2011 Actual
Bus servicing	**$ 20,183**	**$ 19,763**	$ 19,470
Vehicle maintenance and overhaul	**18,040**	**16,365**	16,460
Facilities maintenance	**5,666**	**5,167**	4,559
Maintenance administration	**3,103**	**3,158**	2,936
	$ 46,992	**$ 44,453**	$ 43,425

13. *Other Departmental*

	2012 Budget	2012 Actual	2011 Actual
Interest and finance charges	**$ 7,487**	**$ 7,370**	$ 6,246
Taxes	**2,172**	**2,149**	2,001
Insurance and claims	**1,587**	**1,566**	1,412
General government charges and other	**1,245**	**1,252**	1,186
Employee benefits	**838**	**656**	940
	$ 13,329	**$ 12,993**	$ 11,785

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, 2012 is estimated at $5.0 million (2011 - $4.9 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2012 at $6.9 million (2011 - $7.1 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2012 at $1.8 million (2011 - $1.8 million).

The City of Winnipeg operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, The City of Winnipeg pays actual costs incurred plus an administration fee. The City of Winnipeg recognizes a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is estimated to be $2.8 million (2011 - $2.4 million).

13. *Other Departmental (continued)*

Transit System's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $6.2 million (2011 - $5.5 million) of pension costs were allocated to the department. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and has an actuarial surplus.

b) General government charges

Included in general government charges and other is $777 thousand (2011 - $777 thousand) in general government charges to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Transit System.

c) Civic accommodation charges

Included in expenses is $269 thousand (2011 - $275 thousand) that has been charged by the Municipal Accommodations Fund for the rental of office space.

d) Property and business taxes

Realty and business taxes represent full taxes paid to The City of Winnipeg. Taxes are assessed on property as if it were privately owned. During 2012, realty and business taxes paid to the General Revenue Fund was $542 thousand (2011 - $451 thousand).

e) Insurance

Included in expenses is $393 thousand (2011 - $503 thousand) that has been charged by the Insurance Reserve.

f) 311 and business technology services

Included in expenses is $782 thousand (2011 - $782 thousand) that has been charged by the General Revenue Fund for services provided by the Corporate Support Services department.

14. *Expenses by Object*

	2012 Budget	**2012 Actual**	2011 Actual
Salaries and wages	**$ 75,804**	**$ 74,037**	$ 70,066
Materials and supplies	**26,110**	**25,214**	25,647
Services	**15,216**	**15,137**	13,751
Employee benefits	**14,819**	**15,023**	13,604
Interest on debt	**7,470**	**7,354**	6,233
Taxes - municipal and payroll	**2,172**	**2,149**	2,001
Insurance and transfer to Insurance Reserve	**1,788**	**1,883**	2,054
Other	**2,141**	**1,656**	1,488
Recoveries	**(719)**	**(1,558)**	(1,554)
	$ 144,801	**$ 140,895**	$ 133,290

15. Net Deficit from Capital

	2012 Budget	2012 Actual	2011 Actual
Revenues			
Province of Manitoba capital transfers (Note 10)	**$ -**	**$ 10,358**	$ 9,165
Transfer from Transit Bus Replacement Reserve	**-**	**10,093**	7,556
Transfer from Federal Gas Tax Reserve	**-**	**5,625**	3,223
Transfer from Rapid Transit Infrastructure Reserve	**-**	**2,151**	-
Gain on disposal of tangible capital assets	**-**	**47**	70
	-	**28,274**	20,014
Expenses			
Amortization	**4,956**	**17,842**	15,252
Transfer to Transit Bus Replacement Reserve	**7,996**	**8,057**	8,084
Transfer to Rapid Transit Infrastructure Reserve	**4,092**	**4,092**	4,250
	17,044	**29,991**	27,586
	$ (17,044)	**$ (1,717)**	$ (7,572)

16. Related Party Transactions

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

THE CITY OF WINNIPEG
TRANSIT SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	Vehicles	Buildings	Land Improvements
Cost			
Balance, beginning of year	$ 192,021	$ 15,368	$ 24,477
Add: Additions during the year	17,041	211	470
Less: Category transfer during the year	-	-	(356)
Less: Disposals during the year	(5,212)	(167)	-
Balance, end of year	203,850	15,412	24,591
Accumulated amortization			
Balance, beginning of year	(84,689)	(8,906)	(8,349)
Add: Amortization	(10,657)	(413)	(1,929)
Less: Accumulated amortization on disposal	5,212	147	-
Balance, end of year	(90,134)	(9,172)	(10,278)
Net Book Value of Tangible Capital Assets	$ 113,716	$ 6,240	$ 14,313

Schedule 1

Land		Roads, Bridges, and Tunnels		Other		Assets Under Construction		**2012**		2011	
$	13,748	$	103,367	$	19,437	$	12,913	**$**	**381,331**	$	316,295
	64		23,333		912		(3,510)		**38,521**		69,108
	-		356		-		-		**-**		-
	-		-		-		-		**(5,379)**		(4,072)
	13,812		127,056		20,349		9,403		**414,473**		381,331
	-		(1,353)		(7,325)		-		**(110,622)**		(99,424)
	-		(3,207)		(1,636)		-		**(17,842)**		(15,252)
	-		-		-		-		**5,359**		4,054
	-		(4,560)		(8,961)		-		**(123,105)**		(110,622)
$	13,812	$	122,496	$	11,388	$	9,403	**$**	**291,368**	$	270,709


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THE CITY OF WINNIPEG
WATERWORKS SYSTEM

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

The objective of the Waterworks System is to provide an uninterrupted supply of potable water under adequate pressure at least cost to the residents of Winnipeg. The Department is responsible for the planning, operating, maintenance and administration of the system. The Waterworks System budget provides funding for the intake, 174.5 kms of aqueduct, five pumping stations, four reservoir systems, one water treatment plant, and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, Utility Dividend and transfers to the Water Main Renewal Reserve.

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

City Council approved The Utility Dividend Policy on March 22, 2011. The policy states the utility will pay an annual dividend to the City of Winnipeg based on 8% of budgeted gross sales for the current year. The dividend policy is to be reviewed every four years within three months of each new term of City Council. The Waterworks System dividend was $7.2 million in 2012 (2011 - $7.0 million).

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2012	2011	2010	2009	2008
Block 1 rate in dollars (per cu. metre)	**$ 1.35**	$ 1.34	$ 1.29	$ 1.25	$ 1.22
Annual water pumped (million litres)	**83,927**	79,975	75,031	78,587	78,587
Water pumped in litres per capita per day	**328**	316	301	326	326
Average daily water pumped (million litres per day)	**229**	219	206	215	215
Maximum day water pumping rates (million litres per day)	**312**	291	247	259	259
Maximum hour water pumping rates (million litres per day)	**479**	468	361	384	384
Kilometres of aqueduct	**174.5**	174.5	174.5	174.5	174.5
Kilometres of feeder mains	**149.9**	148.3	149.6	150.2	150.1
Kilometres of water mains	**2,557.0**	2,531.0	2,543.2	2,519.3	2,484.9
Number of hydrants	**21,101**	21,031	20,698	20,562	20,293
Number of billed services	**197,651**	195,939	194,600	193,107	191,416

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2012	2011
ASSETS		
Current		
Cash	**$ 20**	$ 77
Accounts receivable (Note 3)	**16,796**	17,316
Due from General Revenue Fund (Note 4)	**41,387**	46,899
Inventories	**1,368**	1,171
Prepaid expenses	**2**	11
	59,573	65,474
Tangible capital assets (Note 5)	**871,827**	860,975
Deferred charges (Note 6)	**2,220**	2,313
	$ 933,620	$ 928,762
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	**$ 6,671**	$ 6,820
Current portion of long-term debt (Note 8)	**4,324**	4,318
	10,995	11,138
Long-term debt (Note 8)	**150,205**	156,824
	161,200	167,962
ACCUMULATED SURPLUS (Note 9)	**772,420**	760,800
	$ 933,620	$ 928,762

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2012 Budget	2012 Actual	2011 Actual
REVENUES (Schedule 1)			
Sale of goods and services (Note 10)	**$ 90,359**	**$ 93,108**	$ 89,423
Government transfers, permits and other	**1,945**	**3,121**	2,136
Interest	**2,529**	**2,718**	2,536
Total revenues	**94,833**	**98,947**	94,095
EXPENSES (Schedules 2 and 3)			
Water distribution	**41,155**	**42,345**	39,553
Debt and finance	**18,958**	**12,306**	12,316
Taxes, employee benefits and other (Note 11)	**6,675**	**6,551**	5,880
Engineering services	**3,413**	**3,337**	3,494
Finance and administration	**3,641**	**3,217**	3,245
Information systems and technology	**1,847**	**1,812**	1,613
Customer services	**1,247**	**1,186**	1,251
Environmental standards	**1,174**	**1,160**	1,156
Human resources	**1,290**	**833**	848
Total expenses from operations	**79,400**	**72,747**	69,356
Surplus for the year from operations	**15,433**	**26,200**	24,739
Transfers to other funds (Note 12)	**14,000**	**14,232**	13,148
Net surplus from operations after transfers to other funds	**1,433**	**11,968**	11,591
Net surplus from capital (Schedule 4)	**-**	**6,875**	1,219
NET SURPLUS FOR THE YEAR	**$ 1,433**	**18,843**	12,810
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**760,800**	755,038
CITY OF WINNIPEG - GENERAL REVENUE FUND UTILITY DIVIDEND PAYMENT		**(7,223)**	(7,048)
ACCUMULATED SURPLUS, END OF YEAR		**$ 772,420**	$ 760,800

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF CASH FLOWS

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

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 18,843**	$ 12,810
Non-cash items related to operations		
Amortization	**20,611**	20,178
Loss on disposal of tangible capital assets	**124**	200
Amortization of debenture discount	**93**	92
Working capital from operations	**39,671**	33,280
Change in net working capital other than cash	**183**	(912)
	39,854	32,368
FINANCING		
Debt retired	**(182)**	(175)
Utility dividend payment	**(7,223)**	(7,048)
Interest on sinking fund	**(2,295)**	(2,008)
Due from General Revenue Fund	**5,512**	9,956
Payments to sinking fund	**(4,136)**	(4,137)
	(8,324)	(3,412)
INVESTING		
Purchase of tangible capital assets	**(31,587)**	(29,008)
Decrease in cash	**(57)**	(52)
Cash, beginning of year	**77**	129
Cash, end of year	**$ 20**	$ 77

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. Significant Accounting Policies

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

Basis of accounting

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

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

a) Tangible capital assets

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

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

Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

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

1. *Significant Accounting Policies (continued)*

c) Government transfers

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

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

d) Debenture discounts and issue expenses

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

e) Shoal Lake Agreement

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid $3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

f) Water Main Renewal Reserve Fund

On February 18, 1981, City Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

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

2. *Status of the Waterworks System*

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

3. *Accounts Receivable*

	2012	2011
Water billings and other	**$ 17,196**	$ 17,720
Allowance for doubtful accounts	**(400)**	(404)
	$ 16,796	$ 17,316

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).

5. *Tangible Capital Assets*

	Net Book Value	
	2012	2011
Land	**$ 1,824**	$ 1,824
Buildings	**3,695**	3,805
Machinery and equipment	**977**	1,115
Computer	**11,516**	12,667
Underground networks	**520,572**	502,569
Water pumping stations and reservoirs	**327,825**	335,265
Assets under construction	**5,418**	3,730
	$ 871,827	$ 860,975

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

During 2012 and 2011 there were no write-downs of tangible capital assets and interim financing charges capitalized during 2012 were $44 thousand (2011 - $80 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totaled $12.7 million in 2012 (2011 - $7.8 million) and were capitalized at their fair value at the time of receipt.

6. *Deferred Charges*

	2012	2011
Deferred debenture discount	**$ 2,220**	$ 2,313

7. *Accounts Payable and Accrued Liabilities*

	2012	2011
Accrued debenture interest	**$ 4,763**	$ 4,763
Other accrued liabilities	**1,024**	510
Deferred revenue and other	**476**	455
Trade accounts payable	**408**	1,092
	$ 6,671	$ 6,820

8. *Long-Term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt 2012	2011
1993-2013	Feb. 11	9.375	VN	6090/93	**$ 5,000**	$ 5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**13,000**	13,000
1995-2015	May 12	9.125	VR	6620/95	**25,000**	25,000
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	**60,000**	60,000
2008-2036	July 17	5.200		72/2006 B	**100,000**	100,000
					203,000	203,000
Equity in Sinking Funds (Note 8b)					**(51,398)**	(44,967)
Net sinking fund debentures outstanding					**151,602**	158,033

Other long-term debt outstanding

	2012	2011
Canada Mortgage and Housing Corporation ("CMHC") debt, maturity in 2025, interest rate of 3.35%	**2,927**	3,109
	154,529	161,142
Current portion of long-term debt	**(4,324)**	(4,318)
	$ 150,205	$ 156,824

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

	2013	2014	2015	2016	2017	Thereafter
Sinking fund debentures	$ 5,000	$ 13,000	$ 25,000	$ -	$ -	$ 160,000
CMHC	187	194	200	207	214	1,925
	$ 5,187	$ 13,194	$ 25,200	$ 207	$ 214	$ 161,925

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.

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

c) Cash paid for interest during the year was $12.2 million (2011 - $12.2 million).

9. *Accumulated Surplus*

		2012		2011
Invested in tangible capital assets	**$**	**717,298**	$	700,269
Retained earnings		**62,345**		67,579
Utility dividend payment		**(7,223)**		(7,048)
	$	**772,420**	$	760,800

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

10. *Revenue*

Effective January 1, 2012 the block 1 water rate was $1.35 per hundred cubic metres (2011 - $1.34).

11. *Taxes, Employee Benefits and Other*

Property taxes

Property taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2012, taxes paid to the General Revenue Fund was $2.3 million (2011 - $2.2 million).

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2012 is $2.7 million (2011 - $2.7 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2012 is estimated at $782 thousand (2011 - $607 thousand).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2012 at $4.2 million (2011 - $4.3 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2012 at $1.1 million (2011 - $1.0 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $2.8 million (2011 - $2.5 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and has disclosed an actuarial surplus.

11. Taxes, Employee Benefits and Other (continued)

Rent

Included in expenses is $1.2 million (2011 - $1.1 million) that has been charged by the Municipal Accommodations Fund for the rental of office space.

General government charges

Included in expenses is $1.4 million (2011 - $1.1 million) in general government and business technology service charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual business technology service charges applicable to the Waterworks System.

Insurance and damage claims

Included in expenses is $417 thousand (2011 - $95 thousand) charged by the City of Winnipeg Insurance Reserve.

12. Transfers to Other Funds

The Waterworks System transfers to other funds are as follows:

	2012	2011
Transfer to Water Main Renewal Reserve	**$ 14,000**	$ 13,000
Transfer to General Capital Fund	**232**	148
	$ 14,232	$ 13,148

13. Related Party Transactions

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

14. Comparative Figures

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

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 1

REVENUES

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

	2012 Budget	2012 Actual	2011 Actual
Sale of goods and services			
Water sales	**$ 90,290**	**$ 92,812**	$ 89,231
Fire hydrant and other rentals	**54**	**294**	181
Sale of scrap material	**15**	**2**	11
	90,359	**93,108**	89,423
Government transfers, permits and other			
Permits and fees	**1,031**	**972**	984
Provincial support transfer	**756**	**707**	710
Transfer from Aqueduct Rehabilitation Reserve	**-**	**-**	282
Other	**158**	**1,442**	160
	1,945	**3,121**	2,136
Interest			
Sinking Fund earnings	**2,299**	**2,295**	2,008
Interest	**200**	**379**	448
Interest capitalized	**30**	**44**	80
	2,529	**2,718**	2,536
Total Revenues	**$ 94,833**	**$ 98,947**	$ 94,095

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2012 Budget	2012 Actual	2011 Actual
Water distribution			
Water treatment plant	$ 16,494	$ 17,582	$ 16,553
Water main maintenance	8,807	9,858	8,100
Service pipe maintenance	3,377	3,974	3,991
General administration	2,047	2,338	2,363
Hydrant maintenance	2,337	2,107	2,036
Emergency services	2,208	1,828	1,693
Railway maintenance and operations	1,798	1,551	1,426
Water meter maintenance	1,387	1,132	1,151
Mechanical/civil/electrical maintenance allocation	680	641	648
Intake operation	611	503	521
Valve maintenance	962	483	521
Stores - 552 Plinguet	367	296	476
Meter shop	80	52	74
	41,155	42,345	39,553
Debt and finance			
Long-term debt			
Interest	12,244	12,214	12,224
Amortization	6,617	-	-
Finance charges	97	92	92
	18,958	12,306	12,316
Taxes, employee benefits and other			
Property taxes	2,572	2,721	2,670
Rent	1,100	1,189	1,100
Employee benefits	1,069	1,048	647
General government charges	921	921	921
Provincial payroll tax	766	699	737
Insurance and damage claims	537	582	507
Other services	210	187	198
Recoveries	(500)	(796)	(900)
	6,675	6,551	5,880

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2012 Budget	2012 Actual	2011 Actual
Engineering services division			
Water planning	**1,454**	**1,088**	1,186
Drafting and graphics	**584**	**555**	532
Design and construction	**731**	**530**	488
Administration	**(198)**	**472**	418
Customer technical services	**436**	**317**	349
Asset management	**237**	**231**	381
Services development	**169**	**144**	140
	3,413	**3,337**	3,494
Finance and administration division			
Customer billing	**2,409**	**2,098**	2,010
Administrative services	**296**	**300**	368
Financial planning	**299**	**291**	286
Accounting services	**286**	**281**	236
Knowledge management	**203**	**130**	119
Process improvement	**151**	**117**	226
Landfill billing	**(3)**	**-**	-
	3,641	**3,217**	3,245
Information systems and technology division			
Major systems	**888**	**1,042**	992
Support services	**959**	**770**	621
	1,847	**1,812**	1,613
Customer services division			
Customer relations	**979**	**903**	947
Administration	**180**	**212**	224
Communications	**59**	**71**	52
Public consultation	**29**	**-**	28
	1,247	**1,186**	1,251
Environmental standards division			
Analytical services	**843**	**752**	732
Compliance	**301**	**276**	288
Administration	**30**	**132**	136
	1,174	**1,160**	1,156

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2012 Budget	**2012 Actual**	2011 Actual
Human resources division			
Human resources	**478**	**351**	328
Timekeeping and payroll	**277**	**184**	182
Human resources training	**315**	**158**	193
Work place health and safety	**220**	**140**	145
	1,290	**833**	848
Total Expenses from Operations	**79,400**	**72,747**	69,356
Transfers to other funds (Note 12)			
Transfer to Water Main Renewal Reserve	**14,000**	**14,000**	13,000
Transfer to General Capital Fund	**-**	**232**	148
Total transfers to other funds	**14,000**	**14,232**	13,148
Total Expenses	**$ 93,400**	**$ 86,979**	$ 82,504

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2012 Budget	**2012 Actual**	2011 Actual
Salaries	**$ 35,964**	**$ 32,794**	$ 32,566
Goods and services	**31,306**	**32,371**	29,734
Transfers	**14,477**	**14,769**	13,625
Interest on long-term debt	**12,244**	**12,214**	12,224
Employee benefits	**6,572**	**6,622**	6,093
Other expenses	**5,090**	**5,566**	5,062
Grants	**150**	**120**	105
Finance charges	**97**	**92**	92
Amortization	**6,617**	**-**	-
Recoveries	**(19,117)**	**(17,569)**	(16,997)
Total Expenses	**$ 93,400**	**$ 86,979**	$ 82,504

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2012 Actual	2011 Actual
Revenues		
Transfers		
Water Main Renewal Reserve	**$ 15,274**	$ 13,316
Sewage Disposal System	**365**	718
Aqueduct Rehabilitation Reserve	**-**	18
	15,639	14,052
Developer contributions-in-kind	**12,692**	7,824
Total revenue from capital	**28,331**	21,876
Expenses		
Amortization	**20,611**	20,178
Transfer to Sewage Disposal System	**282**	-
Loss on disposal of tangible capital assets	**124**	200
Other expenses	**439**	279
Total expenses from capital	**21,456**	20,657
Net surplus from capital	**$ 6,875**	$ 1,219

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General			
	Land	Buildings	Machinery and Equipment	Computer
Cost				
Balance, beginning of year	$ 1,824	$ 5,678	$ 9,932	$ 37,703
Add: Additions during the year	-	-	2	722
Less: Disposals during the year	-	-	-	-
Balance, end of year	1,824	5,678	9,934	38,425
Accumulated amortization				
Balance, beginning of year	-	1,873	8,817	25,036
Add: Amortization	-	110	140	1,873
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	-	1,983	8,957	26,909
Net Book Value of Tangible Capital Assets	$ 1,824	$ 3,695	$ 977	$ 11,516

Infrastructure			**Totals**	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	**2012**	2011
$ 724,524	$ 402,537	$ 3,730	**$ 1,185,928**	$ 1,159,751
28,888	287	1,688	**31,587**	29,008
(1,551)	-	-	**(1,551)**	(2,831)
751,861	402,824	5,418	**1,215,964**	1,185,928
221,955	67,272	-	**324,953**	307,406
10,761	7,727	-	**20,611**	20,178
-				
(1,427)	-	-	**(1,427)**	(2,631)
231,289	74,999	-	**344,137**	324,953
$ 520,572	$ 327,825	$ 5,418	**$ 871,827**	$ 860,975

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

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

The objective of the Sewage Disposal System is to protect public health, and the aquatic environment through adequate collection and treatment of sewage generated in Winnipeg as well as hauled liquid waste received from surrounding communities. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three sewage treatment plants, sludge disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund, Utility Dividend and transfers to the Environmental Projects Reserve and Sewer System Rehabilitation Reserve.

An Environmental Projects Reserve Fund was authorized by City Council on December 17, 1993. It was established to fund environmental projects to protect river quality. River quality is under the jurisdiction of the Province of Manitoba. In 2003, the Clean Environment Commission (CEC) conducted public hearings to review and receive comments on the City's sewage collection and treatment improvement program, and made several recommendations to upgrade and improve the sewage collection and treatment systems. In response Manitoba Conservation issued Environment Act Licenses to the City for the North End, West End, and South End Sewage Treatment Plants (NESTP, WESTP, and SESTP). The Licenses stipulate effluent parameters that require upgrades to the sewage treatment plants. The Licenses require effluent disinfection, nutrient removal, centrate treatment, combined sewer overflow mitigation, and solids management to be in compliance with the Environmental Act. Based on preliminary assessments the upgrade program is estimated to cost between $1.2 to $1.8 billion depending on market factors and interpretation on compliance requirements. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The Reserve funds ongoing environmental programs and studies including a portion of the sewage collection and treatment system improvements as directed by the Province of Manitoba.

Sewage treatment upgrades to the NESTP effluent disinfection, NESTP centrate, and WESTP are complete and fully operational. The nutrient removal upgrades at the NESTP and WESTP plants are removing more than the required interim reduction targets of 13% nitrogen and 10% phosphorus on a city wide basis.

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

City Council approved The Utility Dividend Policy on March 22, 2011. The policy states the utility will pay an annual dividend to the City of Winnipeg based on 8% of budgeted gross sales for the current year. The dividend policy is to be reviewed every four years within three months of each new term of City Council. The Sewage Disposal dividend was $10.7 million in 2012 (2011 - $10.1 million).

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2012	2011	2010	2009	2008
Rate in dollars (per cubic meter)	**$ 2.10**	$ 1.97	$ 1.91	$ 1.86	$ 1.81
Annual sewage received (million litres)*	**90,685**	104,784	114,941	112,974	103,397
Daily sewage received (million litres)*	**247.8**	290.4	314.9	309.5	283.3
Kilometres of interceptor sewers	**118.7**	120.8	120.8	116.2	116.4
Kilometres of combined sewers **	**1,039.1**	1,041.7	1,040.5	1,043.5	1,044.5
Kilometres of wastewater sewers	**1,391.0**	1,376.4	1,359.6	1,351.6	1,323.6
Kilometres of storm sewers ***	**1,326.1**	1,307.9	1,850.0	1,838.9	1,802.6
Number of lift stations	**74**	74	73	73	75
Number of billed sewer services	**197,530**	195,807	194,060	192,569	191,854

Note:

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

** Reduction in combined sewers is due to flood relief programs that separate the sewers thereby reducing overall length.

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

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2012	2011
ASSETS		
Current		
Cash	**$ 1**	$ 1
Inventory	**223**	220
Accounts receivable (Note 3)	**30,549**	28,428
Prepaid expenses	**867**	1,067
Due from General Revenue Fund (Note 4)	**68,829**	63,752
	100,469	93,468
Tangible capital assets (Note 5)	**835,317**	814,124
	$ 935,786	$ 907,592
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 7,904**	$ 7,459
Performance and other deposits	**2,316**	891
Current portion of long-term debt (Note 7)	**3,927**	3,848
	14,147	12,198
Long-term debt (Note 7)	**3,420**	10,660
	17,567	22,858
ACCUMULATED SURPLUS (Note 8)	**918,219**	884,734
	$ 935,786	$ 907,592

Commitment (Note 9)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2012 Budget	2012 Actual	2011 Actual
REVENUES (Schedule 1)			
Sewer services (Note 10)	**$ 133,854**	**$ 136,601**	$ 127,492
Government transfers, permits and other	**5,893**	**6,393**	7,838
Interest	**3,953**	**4,118**	3,987
Total revenues	**143,700**	**147,112**	139,317
EXPENSES (Schedules 2 and 3)			
Collection, interception and treatment	**40,803**	**38,303**	41,145
Taxes, employee benefits and other (Note 11)	**12,681**	**13,473**	12,152
Debt and finance	**14,045**	**6,668**	6,895
Engineering services	**8,439**	**5,160**	4,385
Finance and administration	**3,718**	**3,231**	2,997
Environmental standards	**2,390**	**2,211**	2,045
Information systems and technology	**1,908**	**1,540**	1,385
Customer services	**1,045**	**954**	1,007
Human resources	**530**	**746**	714
Total expenses from operations	**85,559**	**72,286**	72,725
Surplus for the year from operations	**58,141**	**74,826**	66,592
Transfers to other funds (Note 12)	**46,219**	**44,954**	40,782
Net surplus for the year from operations after transfer to other funds	**11,922**	**29,872**	25,810
Net surplus from capital (Schedule 4)	**-**	**14,321**	5,650
Net surplus for the year	**$ 11,922**	**44,193**	31,460
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**884,734**	863,409
CITY OF WINNIPEG - GENERAL REVENUE FUND UTILITY DIVIDEND PAYMENT		**(10,708)**	(10,135)
ACCUMULATED SURPLUS, END OF YEAR		**$ 918,219**	$ 884,734

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF CASH FLOWS

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

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 44,193**	$ 31,460
Non-cash items related to operations		
Amortization	**19,830**	19,156
Write-down of tangible capital asset	**-**	4,006
Loss on disposal of tangible capital assets	**815**	2,786
Working capital from operations	**64,838**	57,408
Change in net working capital other than cash	**(54)**	(1,368)
	64,784	56,040
FINANCING		
Debt retired	**(1,580)**	(4,682)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(3,313)**	(3,047)
Due from General Revenue Fund	**(5,077)**	7,151
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(2,268)**	(2,268)
Utility dividend payment	**(10,708)**	(10,135)
	(22,946)	(12,981)
INVESTING		
Purchase of tangible capital assets	**(41,838)**	(43,059)
Cash, beginning of year	**1**	1
Cash, end of year	**$ 1**	$ 1

See accompanying notes and schedules to the financial statements

1. Significant Accounting Policies

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

Basis of accounting

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

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

a) Tangible capital assets

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

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Information systems	5 to 10 years
Water and sewage plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

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

1. *Significant Accounting Policies (continued)*

c) Government transfers

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

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

d) Sewer System Rehabilitation Reserve Fund

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds for the renewal and rehabilitation of combined and wastewater sewers, respectively, that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

The annual frontage levy funding was allocated by City Council between the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve in accordance with the capital program requirements. On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

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

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the future sources of funding for the Sewer System Rehabilitation Reserve Fund will include revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest. In 2012, $15.0 million (2011 - $13.2 million) was transferred to the Sewer System Rehabilitation Reserve Fund.

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

e) Environmental Projects Reserve Fund

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the nature of the projects reported in this Reserve.

The 2012 sewer rate includes a provision of 26 cents (2011 - 22 cents) per cubic meter of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2012, $15.8 million (2011 - $13.8 million) was transferred to the Environmental Projects Reserve Fund.

2. *Status of the Sewage Disposal System*

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the City's sewage collection and treatment system.

3. *Accounts Receivable*

	2012	2011
Sewer billings	**$ 28,637**	$ 25,600
Other	**1,425**	1,328
Provincial grant receivable	**487**	1,500
	$ 30,549	$ 28,428

4. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).

5. *Tangible Capital Assets*

	Net Book Value	
	2012	2011
Land	**$ 1,438**	$ 1,438
Buildings	**396**	393
Equipment	**220**	258
Information technology	**129**	152
Underground networks	**567,373**	549,551
Sewage treatment plants and lift stations	**247,187**	243,508
Assets under construction	**18,574**	18,824
	$ 835,317	$ 814,124

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

During 2012 there was no write-down of tangible capital assets (2011 - $4.0 million). Interim financing charges capitalized during 2012 were $97 thousand (2011 - $255 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled $15.1 million in 2012 (2011 - $9.8 million) and were capitalized at their fair value at the time of receipt.

6. Accounts Payable and Accrued Liabilities

	2012	2011
Trade accounts payable	**$ 4,845**	$ 4,488
Accrued debenture interest	**2,758**	2,791
Other accrued liabilities	**301**	180
	$ 7,904	$ 7,459

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2012**	2011
1993-2013	Feb. 11	9.375	VN	6090/93	**$ 40,000**	$ 40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**35,000**	35,000
					75,000	75,000
Equity in Sinking Fund (Note 7b)					**(69,763)**	(64,182)
Net sinking fund debentures outstanding					**5,237**	10,818

Other long-term debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 5.03% (2011 - 4.98%)	**2,110**	3,690
	7,347	14,508
Current portion of long-term debt	**(3,927)**	(3,848)
	$ 3,420	$ 10,660

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

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

7. *Long-term Debt (continued)*

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.

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

c) Cash paid for interest during the year was $6.7 million (2011 - $6.9 million).

8. *Accumulated Surplus*

	2012	2011
Invested in tangible capital assets	**$ 840,474**	$ 806,523
Retained earnings	**88,453**	88,346
Utility dividend payment	**(10,708)**	(10,135)
	$ 918,219	$ 884,734

9. *Commitment*

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

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

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

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

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

9. *Commitment (continued)*

Compensation to Veolia under the agreement includes the following components:

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

The agreement only guarantees payment to Veolia in respect of the Direct Costs incurred in providing services (item number 1 above).

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

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

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

The agreement established a Performance Guarantee Security ("PGS"), which is a letter of credit and performance bond that together provide security to the City. At December 31, 2012, prepaid expenses include $867 thousand on account of the City's payment of Direct Costs related to the PGS (2011 - $1.1 million).

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

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

10. *Revenue*

The sewer rate for 2012 was $2.10 per cubic meter (2011 - $1.97). The Environmental Projects Reserve contribution for 2012 was 26.0 cents per cubic meter (2011 - 22.0 cents).

11. *Taxes, Employee Benefits and Other*

Property taxes

Property taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2012, realty taxes paid and transferred to the General Revenue Fund were $8.9 million (2011 - $8.4 million).

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2012 is $1.2 million (2011 - $1.2 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2012 is estimated at $904 thousand (2011 - $528 thousand).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2012 is estimated at $0.5 million (2011 - $0.5 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2012 at $1.7 million (2011 - $1.7 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year $1.2 million (2011 - $1.1 million) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and has disclosed an actuarial surplus.

General government charges

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2012, this amounted to $0.9 million (2011 - $0.9 million) and was transferred to the General Revenue Fund.

Rent

Included in expenses is $1.1 million (2011 - $1.1 million) that has been charged by the Municipal Accommodations Fund for the rental of office space.

Insurance and damage claims

Included in expenses is $36 thousand recoverable (2011 - $110 thousand charged) from the Insurance Reserve.

12. Transfers to Other Funds

The Sewage Disposal System, as approved through the annual operating budget, funds 100% of land drainage costs. In 2012, $14.2 million (2011 - $13.7 million) was contributed to the General Revenue Fund to support the land drainage program.

	2012	2011
Transfer to Environmental Projects Reserve	**$ 15,780**	$ 13,822
Transfer to Sewer System Rehabilitation Reserve	**15,000**	13,200
Transfer to General Revenue Fund	**14,198**	13,665
Transfer (from)/to General Capital Fund	**(24)**	95
	$ 44,954	$ 40,782

13. Related Party Transactions

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

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 1

REVENUES

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

	2012 Budget	2012 Actual	2011 Actual
Sewer services	**$ 133,854**	**$ 136,601**	$ 127,492
Government transfers, permits and other			
Industrial waste surcharges	**2,000**	**2,777**	2,421
Hauled waste	**1,300**	**1,793**	620
Provincial transfers	**1,830**	**803**	1,810
Other	**553**	**670**	1,445
Permits and fees	**210**	**350**	542
Transfer from General Capital Fund	**-**	**-**	1,000
	5,893	**6,393**	7,838
Interest			
Sinking Fund earnings	**3,313**	**3,313**	3,047
Interest	**440**	**708**	685
Capitalized	**200**	**97**	255
	3,953	**4,118**	3,987
Total Revenues	**$ 143,700**	**$ 147,112**	$ 139,317

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2012 Budget	2012 Actual	2011 Actual
Collection, interception and treatment			
North end sewage treatment plant	$ 13,891	$ 13,085	$ 12,751
Local sewer	6,095	5,766	6,232
South end sewage treatment plant	4,189	4,030	4,022
Sludge disposal	3,285	2,921	3,071
Administration	2,046	2,401	5,393
Interception system	2,618	2,204	2,360
Mechanical maintenance	2,279	2,154	2,165
West end sewage treatment plant	2,527	2,139	2,172
Electrical maintenance/instrumentation	2,024	1,829	1,656
Civil maintenance	1,137	1,059	919
Process control	712	715	404
	40,803	38,303	41,145
Taxes, employee benefits and other			
Property taxes	8,374	8,936	8,374
Miscellaneous	1,574	1,845	1,506
Rent	1,276	1,110	1,100
General government charges	899	919	899
Insurance and claims	611	554	432
Employee benefits	714	302	488
Provincial payroll tax	333	299	329
Recoveries	(1,100)	(492)	(976)
	12,681	13,473	12,152
Debt and finance			
Long-term debt interest	6,670	6,662	6,886
Finance charges	205	6	9
Amortization - debt principal	7,170	-	-
	14,045	6,668	6,895
Engineering services			
Sewer connections	4,130	1,656	807
Wastewater planning	1,878	1,215	1,443
Drafting and graphic	550	555	532
Design and construction	694	530	491
Administrative services	355	463	417
Customer technical services	400	317	349
Asset management	221	231	156
Engineering services development	161	143	140
Land drainage and flood planning	50	50	50
	8,439	5,160	4,385

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2012 Budget	2012 Actual	2011 Actual
Finance and administration			
Customer accounts	**2,520**	**2,098**	2,007
Administrative services	**491**	**509**	407
Financial planning	**269**	**261**	241
Financial services	**302**	**260**	198
Rates / business analysis	**136**	**103**	144
	3,718	**3,231**	2,997
Environmental standards			
Analysis	**1,429**	**1,296**	1,217
Industrial waste	**643**	**595**	497
Administration	**239**	**227**	234
Compliance	**79**	**93**	97
	2,390	**2,211**	2,045
Information systems and technology			
Major systems	**1,008**	**906**	862
Support services	**900**	**634**	523
	1,908	**1,540**	1,385
Customer services			
Customer relations	**974**	**896**	948
Administration	**55**	**44**	44
Communications	**11**	**14**	10
Public consultation	**5**	**-**	5
	1,045	**954**	1,007
Human resources			
Human resources	**215**	**314**	276
Timekeeping and payroll	**102**	**165**	153
Human resources training	**128**	**142**	163
Work place health and safety	**85**	**125**	122
	530	**746**	714
Total Expenses from Operations	**85,559**	**72,286**	72,725

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2012 Budget	2012 Actual	2011 Actual
Transfers to other funds (Note 12)			
Transfer to Environmental Projects Reserve	**15,986**	**15,780**	13,822
Transfer to Sewer System Rehabilitation Reserve	**15,200**	**15,000**	13,200
Transfer to General Revenue Fund	**15,033**	**14,198**	13,665
Transfer (from)/to General Capital Fund	**-**	**(24)**	95
	46,219	**44,954**	40,782
Total Expenses	**$ 131,778**	**$ 117,240**	$ 113,507

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2012 Budget	2012 Actual	2011 Actual
Transfers to other funds	**$ 46,219**	**$ 44,954**	$ 40,782
Goods and services	**46,473**	**40,408**	40,296
Salaries	**16,205**	**14,233**	14,425
Other expenses	**11,603**	**11,491**	11,045
Interest on long-term debt	**13,840**	**6,662**	6,886
Employee benefits	**3,090**	**2,951**	2,939
Finance charges	**205**	**6**	9
Recoveries	**(5,857)**	**(3,465)**	(2,875)
Total Expenses	**$ 131,778**	**$ 117,240**	$ 113,507

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2012 Actual	2011 Actual
Revenues		
Transfer from Sewer System Rehabilitation Reserve	**$ 13,676**	$ 12,549
Provincial and Federal capital transfers	**6,600**	7,138
Transfer from Environmental Projects Reserve	**2,732**	7,088
Transfer from Waterworks System	**282**	-
	23,290	26,775
Developer contributions-in-kind	**15,135**	9,773
	38,425	36,548
Expenses		
Amortization	**19,830**	19,156
Capital maintenance	**3,094**	4,232
Loss on disposal of tangible capital assets	**815**	2,786
Transfer to Waterworks System	**365**	718
Write-down of tangible capital assets	**-**	4,006
	24,104	30,898
Net surplus from capital	**$ 14,321**	$ 5,650

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General			
	Land	Buildings	Equipment	Information Technology
Cost				
Balance, beginning of year	$ 1,438	$ 974	$ 398	$ 227
Add: Additions during the year	-	14	2	-
Less: Disposals during the year	-	-	-	-
Balance, end of year	1,438	988	400	227
Accumulated amortization				
Balance, beginning of year	-	581	140	75
Add: Amortization	-	11	40	23
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	-	592	180	98
Net Book Value of Tangible Capital Assets	$ 1,438	$ 396	$ 220	$ 129

Schedule 5

Infrastructure			Totals	
Underground Networks	Sewage Treatment Plants and Lift Stations	Assets Under Construction	**2012**	2011
$ 862,878	$ 390,623	$ 18,824	**$ 1,275,362**	$ 1,245,222
30,410	11,662	(250)	**41,838**	43,059
(2,519)	-	-	**(2,519)**	(12,919)
890,769	402,285	18,574	**1,314,681**	1,275,362
313,327	147,115	-	**461,238**	448,209
11,773	7,983	-	**19,830**	19,156
(1,704)	-	-	**(1,704)**	(6,127)
323,396	155,098	-	**479,364**	461,238
$ 567,373	$ 247,187	$ 18,574	**$ 835,317**	$ 814,124

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

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

The Solid Waste Disposal Fund was established in 1992 to create a self-supporting utility.

The objective of the Solid Waste Disposal Fund ("Fund") is to provide facilities for the receiving and disposal of solid waste generated in the City to protect the public health and the environment. The Department is responsible for the planning and monitoring of the City's closed landfill facilities, the operation of the Brady Road landfill site and the City's waste minimization programs. In addition, the Fund's budget provides funding for Take Pride Winnipeg, debt charges, employee benefits, taxes and transfers to the General Revenue Fund to support the garbage collection program and to the Brady Landfill Rehabilitation Reserve.

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road landfill and two other privately operated landfills in the capital region. The commercial tipping fee is $43.50 per tonne. Commercial tonnage coming to Brady Road landfill has increased approximately 20% from 2011, as more small load customers shift to commercial rates. The amount of commercial waste at Brady Road is estimated to be 25% to 30% of the market share. The internal tipping fee is $32.50 per tonne. In 2012, waste was also received from Falcon Lake and Hecla Island Provincial Parks and the Rural Municipality of Springfield.

Waste minimization programs include multi-material residential recycling for 187,000 single-family and 103,000 multi-family residences, depot recycling, "Let's Chip-In" (Christmas tree recycling), curbside yard waste collection, office paper recycling, back yard composting and public information/education programs.

The revenues from the recycling programs are comprised of support payments received from the Multi Material Stewardship Manitoba ($99 per tonne) and the sale of the recyclables. In 2012, the City realized $8.1 million in revenue (2011 - $9.9 million).

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

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

The impact in the first year of the implementation of the new strategy saw single family residential waste tonnage reduced by 7%, recycling tonnage increase by 5% and compostable yard waste tonnage increase by 46% from 2011.

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

FIVE-YEAR REVIEW

December 31
(unaudited)

	2012	2011	2010	2009	2008
Solid Waste (tonnes)					
Single family residential	**153,128**	163,923	176,215	185,587	183,245
Multi-family and small commercial	**48,606**	46,292	46,571	45,330	46,600
Large commercial / industrial	**105,334**	87,520	84,515	95,359	86,381
Other	**119,170**	146,678	101,775	99,172	111,025
Charitable organization	**3,050**	2,351	2,067	1,907	2,298
Total landfill tonnage	**429,288**	446,764	411,143	427,355	429,549
Residential small loads					
Number of loads	**93,585**	96,661	112,073	104,726	102,975
Compostable Yard Waste					
Total tonnage	**11,327**	7,778	7,157	5,673	4,427
Recyclables (tonnes)					
Blue box	**38,992**	35,596	36,434	34,841	36,167
Depots/apartments	**9,141**	10,235	10,494	9,534	9,393
Total recyclables	**48,133**	45,831	46,928	44,375	45,560

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

STATEMENT OF FINANCIAL POSITION

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

	2012	2011
ASSETS		
Current		
Cash	**$ 175**	$ 124
Due from General Revenue Fund (Note 3)	**6,403**	-
Accounts receivable (Note 4)	**8,413**	8,675
	14,991	8,799
Tangible capital assets (Note 5)	**16,892**	4,950
	$ 31,883	$ 13,749
LIABILITIES		
Current		
Due to General Revenue Fund (Note 3)	**$ -**	$ 786
Accounts payable and accrued liabilities (Note 6)	**5,247**	3,284
Current portion of long-term debt (Note 7)	**1,332**	30
	6,579	4,100
Long-term debt (Note 7)	**11,693**	232
	18,272	4,332
ACCUMULATED SURPLUS (Note 8)	**13,611**	9,417
	$ 31,883	$ 13,749

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2012 Budget	**2012 Actual**	2011 Actual
REVENUES (Schedule 1)			
Sales of services and regulatory fees	**$ 23,272**	**$ 20,949**	$ 19,940
Government transfers and other	**5,155**	**5,023**	4,996
Interest	**53**	**127**	114
Total revenues	**28,480**	**26,099**	25,050
EXPENSES (Schedules 2 and 3)			
Solid waste operations	**25,565**	**21,001**	20,728
Employee benefits, taxes and other (Note 9)	**305**	**240**	269
Debt and finance	**575**	**136**	91
Total expenses from operations	**26,445**	**21,377**	21,088
Surplus for the year from operations	**2,035**	**4,722**	3,962
Transfers to other funds (Note 10)	**2,488**	**1,010**	1,454
Surplus (Deficit) from operations after transfers to other funds	**(453)**	**3,712**	2,508
Net surplus (deficit) from capital (Schedule 4)	**-**	**482**	(1,089)
Net surplus (deficit) for the year	**$ (453)**	**4,194**	1,419
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**9,417**	7,998
ACCUMULATED SURPLUS, END OF YEAR		**$ 13,611**	$ 9,417

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

STATEMENT OF CASH FLOWS

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

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 4,194**	$ 1,419
Non-cash items related to operations		
Amortization	**618**	195
Working capital from operations	**4,812**	1,614
Change in net working capital other than cash	**2,225**	(2,837)
	7,037	(1,223)
FINANCING		
Proceeds from loan	**13,000**	-
Repayment of loan	**(169)**	-
Due from/to General Revenue Fund	**(7,189)**	1,591
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(38)**	(34)
Payments to The Sinking Fund Trustees for outstanding debt	**(30)**	(30)
	5,574	1,527
INVESTING		
Purchase of tangible capital assets	**(12,560)**	(253)
Increase in cash	**51**	51
Cash position, beginning of year	**124**	73
Cash position, end of year	**$ 175**	$ 124

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. Significant Accounting Policies

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

Basis of accounting

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

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

a) Tangible capital assets

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

Land improvements	10 to 100 years
Machinery and equipment	10 to 20 years
Information technology	5 to 10 years

Assets under construction are not amortized until the asset is available for productive use.

b) Brady Landfill Rehabilitation Reserve

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

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

1. Significant Accounting Policies (continued)

c) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, expected to be repaid in the future, nor the result of a direct financial return.

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

2. Status of the Solid Waste Disposal Fund

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

3. Due from/to General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).

4. Accounts Receivable

	2012	2011
Landfill tipping, recycling and waste diversion	**$ 8,606**	$ 8,856
Allowance for doubtful accounts	**(193)**	(181)
	$ 8,413	$ 8,675

5. Tangible Capital Assets

	Net Book Value	
	2012	2011
Land	**$ 541**	$ 541
Land improvements	**682**	708
Machinery and equipment	**11,457**	2,858
Information technology	**53**	62
	12,733	4,169
Assets under construction	**4,159**	781
	$ 16,892	$ 4,950

5. *Tangible Capital Assets (continued)*

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

During the year, there were no write-downs of tangible capital assets (2011 - $nil). Interim financing charges capitalized during 2012 were $68 thousand (2011 - $54 thousand).

6. *Accounts Payable and Accrued Liabilities*

	2012	2011
Trade accounts payable	**$ 2,894**	$ 1,051
Waste Reduction and Recycling Support Levy	**2,110**	2,202
Other accrued liabilities	**231**	19
Accrued debenture interest payable	**12**	12
	$ 5,247	$ 3,284

7. *Long-Term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2012**	Amount of Debt 2011
1995-2015	May 12	9.125	VR	6620/95	**$ 1,000**	$ 1,000
Equity in Sinking Fund (Note 7b)					**(806)**	(738)
Net sinking fund debentures outstanding					**194**	262

Other debt outstanding

	2012	2011
TD Commercial Bank loan with a maturity date of November 13, 2021 and an interest rate of 2.63%	**12,831**	-
	13,025	262
Current portion of debentures	**(30)**	(30)
Current portion of loan	**(1,302)**	-
	(1,332)	(30)
	$ 11,693	$ 232

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

	2013	2014	2015	2016	2017	Thereafter
Sinking fund debentures	$ -	$ -	$ 1,000	$ -	$ -	$ -
Other debt	1,302	1,337	1,372	1,408	1,446	5,966
	$ 1,302	$ 1,337	$ 2,372	$ 1,408	$ 1,446	$ 5,966

7. *Long-Term Debt (continued)*

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.

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

c) Cash paid for interest during the year was $0.1 million (2011 - $0.1 million).

8. *Accumulated Surplus*

	2012	2011
Invested in tangible capital assets	**$ 5,577**	$ 4,787
Retained earnings	**8,034**	4,630
	$ 13,611	$ 9,417

9. *Employee Benefits, Taxes and Other*

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2012 is $0.18 million (2011 - $0.16 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, 2012 is estimated at $189 thousand (2011 - $149 thousand).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2012 at $0.2 million (2011 - $0.3 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2012 at $51 thousand (2011 - $56 thousand).

Solid Waste employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates is pension costs to various departments. During 2012, $175 thousand (2011 - $139 thousand) of pension costs were allocated to Solid Waste. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and has an actuarial surplus.

9. *Employee Benefits, Taxes and Other (continued)*

General Government charges

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2012 this amounted to $134 thousand (2011 - $134 thousand) and was transferred to the General Revenue Fund.

Property taxes

Property taxes represent full taxes paid to The City of Winnipeg General Revenue Fund. In 2012, the amount incurred was $16 thousand (2011 - $36 thousand).

Insurance and damage claims

The Solid Waste Disposal Fund was charged $20 thousand (2011 - $32 thousand) by the Insurance Reserve Fund.

10. *Transfers to Other Funds*

	2012	2011
Transfer to General Revenue Fund	**$ 810**	$ 1,265
Transfer to Brady Landfill Rehabilitation Reserve	**200**	189
	$ 1,010	$ 1,454

Included in various expense categories is an amount of $120 thousand (2011 - $147 thousand) that has been charged by the Municipal Accommodations Fund for the rental of office space.

11. *Related Party Transactions*

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

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 1

REVENUES

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

	2012 Budget	2012 Actual	2011 Actual
Sales of services and regulatory fees			
Landfill tipping fees	$ 9,285	$ 9,956	$ 9,582
Recycling	11,082	8,110	9,909
Waste diversion user fee	2,355	2,355	-
Small load fees	550	528	449
	23,272	20,949	19,940
Government transfers and other			
Waste reduction support	5,103	4,970	4,905
Provincial support	52	53	54
Transfer from Solid Waste Disposal Fund - Capital (Schedule 4)	-	-	37
	5,155	5,023	4,996
Interest			
Interest capitalized	5	68	54
Sinking Fund earnings	38	38	34
Late payment charges	-	22	25
Interest	10	(1)	1
	53	127	114
Total Revenues	$ 28,480	$ 26,099	$ 25,050

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 2

EXPENSES

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

	2012 Budget	2012 Actual	2011 Actual
Solid waste operations			
Recycling	**$ 13,988**	**$ 11,296**	$ 12,134
Brady Road	**7,082**	**6,965**	6,797
Landfill and environmental	**1,106**	**1,151**	810
Waste minimization	**2,968**	**1,149**	647
Take Pride Winnipeg	**169**	**240**	202
Administration	**252**	**200**	138
	25,565	**21,001**	20,728
Employee benefits, taxes and other			
General government charges	**134**	**134**	134
Employee benefits	**145**	**89**	113
Provincial payroll tax	**59**	**71**	56
Insurance and damage claims	**35**	**35**	34
Property taxes	**37**	**16**	37
Departmental recoveries	**(105)**	**(105)**	(105)
	305	**240**	269
Debt and finance			
Interest on long-term debt	**575**	**136**	91
Total Expenses from Operations	**26,445**	**21,377**	21,088
Transfers to other funds (Note 10)			
Transfer to General Revenue Fund	**2,300**	**810**	1,265
Transfer to Brady Landfill Rehabilitation Reserve	**188**	**200**	189
	2,488	**1,010**	1,454
Total Expenses	**$ 28,933**	**$ 22,387**	$ 22,542

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 3

EXPENSES BY OBJECT

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

	2012 Budget	**2012 Actual**	2011 Actual
Goods and services	**$ 22,732**	**$ 17,819**	$ 18,110
Salaries	**2,439**	**2,550**	2,023
Transfers	**2,488**	**1,010**	1,454
Employee benefits	**547**	**542**	491
Other expenses	**384**	**482**	473
Interest on long-term debt	**575**	**136**	91
Finance charges	**121**	**56**	103
Recoveries	**(353)**	**(208)**	(203)
Total Expenses	**$ 28,933**	**$ 22,387**	$ 22,542

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 4

SURPLUS (DEFICIT) FROM CAPITAL

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

	2012 Actual	2011 Actual
Revenues		
Province of Manitoba	**$ 1,710**	$ -
Expenses		
Amortization	**618**	195
Capital - capital studies and other equipment	**324**	482
Capital maintenance	**286**	375
Transfer to Solid Waste Disposal Fund - Operating (Schedule 1)	**-**	37
Total expenses from capital	**1,228**	1,089
Net surplus (deficit) from capital	**$ 482**	$ (1,089)

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General			
	Land	**Land Improvements**	**Buildings**	**Machinery and Equipment**
Cost				
Balance, beginning of year	$ 541	$ 3,832	$ 273	$ 4,286
Add: Additions during the year	-	-	-	9,182
Balance, end of year	541	3,832	273	13,468
Accumulated amortization				
Balance, beginning of year	-	3,124	273	1,428
Add: Amortization	-	26	-	583
Balance, end of year	-	3,150	273	2,011
Net Book Value of Tangible Capital Assets	$ 541	$ 682	$ -	$ 11,457

		Totals	
Information Technology	**Assets Under Construction**	**2012**	2011
$ 93	$ 781	**$ 9,806**	$ 9,553
-	3,378	**12,560**	253
93	4,159	**22,366**	9,806
31	-	**4,856**	4,661
9	-	**618**	195
40	-	**5,474**	4,856
$ 53	$ 4,159	**$ 16,892**	$ 4,950

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

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


THE FORKS MARKET

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2012	2011
FINANCIAL ASSETS		
Cash	**$ 13,640**	$ 23,725
Accounts receivable (Note 3)	**69,055**	65,775
Due from the City of Winnipeg - General Revenue Fund (Note 4)	**226,152**	-
	308,847	89,500
LIABILITIES		
Due to the City of Winnipeg - General Revenue Fund (Note 4)	**-**	212,660
Accounts payable and accrued liabilities	**98,070**	62,021
Deferred revenue	**1,145,478**	1,305,758
Vacation and overtime payable	**94,377**	85,788
Retirement allowance and compensated absences (Note 5a)	**81,000**	65,000
	1,418,925	1,731,227
NET FINANCIAL LIABILITIES	**(1,110,078)**	(1,641,727)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**46,229**	48,548
Inventories	**9,779**	8,158
Prepaid expenses	**39,115**	64,291
	95,123	120,997
ACCUMULATED DEFICIT	**$ (1,014,955)**	$ (1,520,730)

Commitments (Note 7)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

For the years ended December 31

	Budget 2012 (unaudited)	**Actual 2012**	Actual 2011
REVENUES			
Regulation fees	**$ 1,838,689**	**$ 1,896,231**	$ 1,403,781
Transfer (Notes 8 and 10)	**1,302,504**	**1,302,504**	1,344,449
Sales of goods and services	**119,631**	**110,900**	95,965
Other revenue	**12,620**	**35,161**	45,125
Government transfers	**24,585**	**25,218**	25,318
Total Revenues	**3,298,029**	**3,370,014**	2,914,638
EXPENSES			
Salaries and employee benefits	**1,568,560**	**1,441,480**	1,343,190
Grants, transfers and other	**523,992**	**506,285**	519,018
Services (Note 9)	**471,072**	**388,452**	326,494
Rent (Note 9)	**211,437**	**211,439**	211,437
Administrative expenses (Note 9)	**157,957**	**159,730**	157,958
Material, parts and supplies	**97,490**	**129,276**	127,069
Debt and finance charges	**16,037**	**26,143**	33,818
Amortization	**24,349**	**22,711**	22,198
Assets and purchases	**1,511**	**5,164**	5,680
Interest (Note 4)	**1,603**	**12**	1,690
Recoveries (Note 10)	**-**	**(26,453)**	(44,597)
Total Expenses	**3,074,008**	**2,864,239**	2,703,955
Excess of Revenues Over Expenses	**224,021**	**505,775**	210,683
ACCUMULATED DEFICIT, BEGINNING OF YEAR	**(1,520,730)**	**(1,520,730)**	(1,731,413)
ACCUMULATED DEFICIT, END OF YEAR	**$ (1,296,709)**	**$ (1,014,955)**	$ (1,520,730)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31

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

	2012	2011
OPERATING		
Excess of revenues over expenses	**$ 505,775**	$ 210,683
Non-cash charges to operations		
Amortization	**22,711**	22,198
Retirement allowance and compensated absences	**16,000**	(39,000)
	544,486	193,881
Net change in non-cash working capital balances related to operations	**(95,367)**	525,191
Cash provided by operating activities	**449,119**	719,072
CAPITAL		
Acquisition of tangible capital assets	**(20,392)**	(22,559)
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**(438,812)**	(690,694)
(Decrease) increase in cash	**(10,085)**	5,819
CASH, BEGINNING OF YEAR	**23,725**	17,906
CASH, END OF YEAR	**$ 13,640**	$ 23,725

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

For the years ended December 31

	Budget 2012 (unaudited)	Actual 2012	Actual 2011
Excess of Revenues Over Expenses	**$ 224,021**	**$ 505,775**	$ 210,683
Amortization of tangible capital assets	**24,349**	**22,711**	22,198
Change in inventories and prepaid expenses	**(15,065)**	**23,555**	(36,868)
Acquisition of tangible capital assets	**(38,000)**	**(20,392)**	(22,559)
DECREASE IN NET FINANCIAL LIABILITIES	**195,305**	**531,649**	173,454
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(1,641,727)**	**(1,641,727)**	(1,815,181)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (1,446,422)**	**$ (1,110,078)**	$ (1,641,727)

See accompanying notes and schedule to the financial statements

1. Description of Business

Animal Services - Special Operating Agency (the "Agency") commenced operations on January 1, 2000. Goals since the establishment of the Agency have been to become financially self-sustaining to the greatest degree possible and to improve both the services provided to the public and the public's perception of Animal Services.

2. Significant Accounting Policies

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

Basis of accounting

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

Non-financial assets

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

i) Tangible capital assets

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

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

ii) Inventories

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

2. Significant Accounting Policies (continued)

Employee benefit plan

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

Estimates

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

3. Accounts Receivable

	2012	2011
Trade accounts receivable	**$ 47,313**	$ 42,992
Allowance for doubtful accounts	**(3,476)**	(2,535)
	43,837	40,457
Province of Manitoba	**25,218**	25,318
	$ 69,055	$ 65,775

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

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2012 interest rate was 1.05% (2011 - 1.05%). The 2012 budget approved by City Council includes an operating line of credit of $1,100,000.

During the year, the Agency paid $12 (2011 - $1,690) in interest costs.

5. Employee Benefits

a) Retirement allowance and compensated absences

	2012	2011
Retirement allowance - accrued benefit liability	**$ 51,000**	$ 37,000
Compensated absences	**30,000**	28,000
	$ 81,000	$ 65,000

5. *Employee Benefits (continued)*

Qualifying City of Winnipeg employees are entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). These costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions and experienced gains and losses are amortized on a straight-line basis over 13.3 years. This represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2011. The results of this valuation were extrapolated to the financial reporting date of December 31, 2012 using year-end assumptions.

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

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

	2012		2011	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	**$ 84,000**	**$ 25,000**	$ 97,000	$ 19,000
Current service cost	**5,000**	**2,000**	6,000	37,000
Interest cost	**3,000**	**1,000**	3,000	1,000
Benefit payments	**-**	**(1,000)**	(61,000)	(30,000)
Net actuarial (gain)/loss	**(12,000)**	**-**	39,000	(2,000)
Balance, end of year	**80,000**	**27,000**	84,000	25,000
Unamortized net actuarial (gain)/loss	**(29,000)**	**3,000**	(47,000)	3,000
Accrued benefit liability	**$ 51,000**	**$ 30,000**	$ 37,000	$ 28,000
Benefit expenses:				
Current service cost	**$ 5,000**	**$ 2,000**	$ 6,000	$ 37,000
Interest cost	**3,000**	**1,000**	3,000	1,000
Amortization of net actuarial (gain)/loss	**6,000**	**-**	5,000	-
	$ 14,000	**$ 3,000**	$ 14,000	$ 38,000
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 37,000**	**$ 28,000**	$ 84,000	$ 20,000
Benefit expense	**14,000**	**3,000**	14,000	38,000
Benefit payments	**-**	**(1,000)**	(61,000)	(30,000)
Balance, end of year	**$ 51,000**	**$ 30,000**	$ 37,000	$ 28,000

5. *Employee Benefits (continued)*

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

	2012	2011
Valuation interest rate	**3.60%**	3.60%
General increases in pay	**3.50%**	3.50%
Expected average remaining service life	**13.3 years**	13.3 years

b) Pensions

The Agency's employees are eligible for pension under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, $100,092 (2011 - $80,447) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employee's Benefits Program was made as of December 31, 2011 and it has an actuarial surplus.

6. *Tangible Capital Assets*

	Net Book Value	
	2012	2011
Computer equipment	**$ 7,530**	$ 23,138
Furniture and other equipment	**36,699**	21,303
Communication radios	**2,000**	4,107
	$ 46,229	$ 48,548

For additional information, see Schedule of Tangible Capital Assets.

7. *Commitments*

The Agency and the Winnipeg Humane Society entered into a contract that is effective January 1, 2011 to December 31, 2013. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agrees to pay the Winnipeg Humane Society the sum of $425,000 per year, payable in quarterly instalments of $106,250. In addition, the Agency agrees to pay $20 for every spay/neuter that the Winnipeg Humane Society performs up to an annual maximum of $75,000.

8. *Transfer from The City of Winnipeg*

In 2012 the transfer from The City of Winnipeg was reduced by 3% or $41,945 to $1,302,504.

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

2008	$ 1,004,276
2009	1,104,276
2010	1,154,276
2011	1,344,449
2012	1,302,504

9. Related Party Transactions

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

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

Included in the Agency's expenditures is a transfer to The City of Winnipeg Municipal Accommodations Fund for rent of $211,439 (2011 - $211,437) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $80,396 (2011 - $80,396). Also included are lease costs of $66,139 (2011 - $76,472) to The City of Winnipeg Fleet Management - Special Operating Agency and $69,582 (2011 - $69,582) for general government charges that have been paid to the City of Winnipeg - General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

10. Comparative Figures

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

Schedule 1

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31

	Computer Equipment	Furniture and Other Equipment	Communication Radios	2012 Total	2011 Total
Cost					
Balance, Beginning of year	**$ 141,377**	**$ 98,829**	**$ 37,503**	**$ 277,709**	$ 255,150
Add:					
Additions during the year	**-**	**20,392**	**-**	**20,392**	22,559
Less:					
Disposals during the year	**-**	**-**	**-**	**-**	-
Balance, end of year	**141,377**	**119,221**	**37,503**	**298,101**	277,709
Accumulated amortization					
Balance, Beginning of year	**118,239**	**77,526**	**33,396**	**229,161**	206,963
Add:					
Amortization	**15,608**	**4,996**	**2,107**	**22,711**	22,198
Less:					
Accumulated amortization on disposals	**-**	**-**	**-**	**-**	-
Balance, end of year	**133,847**	**82,522**	**35,503**	**251,872**	229,161
Net Book Value of Tangible Capital Assets	**$ 7,530**	**$ 36,699**	**$ 2,000**	**$ 46,229**	$ 48,548

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2012	2011
FINANCIAL ASSETS		
Accounts receivable	**$ 274**	$ 294
Inventories	**31**	61
	305	355
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**6,408**	5,700
Accounts payable and accrued liabilities	**295**	117
Deferred revenue	**41**	52
Debt (Note 4)	**3,933**	4,030
Environmental liability	**100**	10
Accrued employee benefits (Note 5a)	**161**	149
	10,938	10,058
NET FINANCIAL LIABILITIES	**(10,633)**	(9,703)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**22,840**	23,168
Prepaid expenses	**-**	5
	22,840	23,173
ACCUMULATED SURPLUS (Note 7)	**$ 12,207**	$ 13,470

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
REVENUES			
Green fees	$ 1,921	$ 1,689	$ 1,517
Equipment rentals	286	337	279
Net revenue from leasing operations	115	263	264
Merchandise sales	81	78	66
Concessions	47	61	55
Gain on disposal of tangible capital assets	-	-	30
Other	30	32	217
Total Revenues	2,480	2,460	2,428
EXPENSES			
Salaries and employee benefits (Note 5)	1,468	1,449	1,354
Services (Note 8)	623	935	662
Debt, finance charges and interest (Notes 3 and 4)	339	319	313
Municipal tax equivalency charge (Note 9)	309	310	303
Amortization	265	248	301
Material, parts and supplies	238	219	234
Loss on disposal of tangible capital assets	-	145	-
Rent (Note 8b)	17	17	17
Total Expenses	3,259	3,642	3,184
Deficiency of Revenues Over Expenses	(779)	(1,182)	(756)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	13,470	13,470	14,307
Transfer to The City of Winnipeg - General Revenue Fund	(83)	(81)	(81)
ACCUMULATED SURPLUS, END OF YEAR	$ 12,608	$ 12,207	$ 13,470

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Deficiency of revenues over expenses	**$ (1,182)**	$ (756)
Non-cash charges to operations		
Amortization	**248**	301
Loss (gain) on disposal of tangible capital assets	**145**	(30)
Retirement allowance and compensated absences	**12**	(10)
Environmental liability	**90**	(192)
	(687)	(687)
Net change in non-cash working capital balances related to operations	**222**	34
Cash used in operating activities	**(465)**	(653)
CAPITAL		
Acquisition of tangible capital assets	**(80)**	(56)
Proceeds on disposal of tangible capital assets	**15**	49
Cash used in capital activities	**(65)**	(7)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**708**	826
Debt - The City of Winnipeg	**(97)**	(86)
Transfer to The City of Winnipeg - General Revenue Fund	**(81)**	(81)
Cash provided by financing activities	**530**	659
INCREASE (DECREASE) IN CASH	**-**	(1)
CASH, BEGINNING OF YEAR	**-**	1
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Budget 2012 (Unaudited)	**Actual 2012**	Actual 2011
DEFICIENCY OF REVENUES OVER EXPENSES	**$ (779)**	**$ (1,182)**	$ (756)
Amortization of tangible capital assets	**265**	**248**	301
Proceeds on disposal of tangible capital assets	**-**	**15**	49
Loss (gain) on disposal of tangible capital assets	**-**	**145**	(30)
Change in prepaid expenses	**-**	**5**	(5)
Transfer to the City of Winnipeg - General Revenue Fund	**(83)**	**(81)**	(81)
Acquisition of tangible capital assets	**(190)**	**(80)**	(56)
INCREASE IN NET FINANCIAL LIABILITIES	**(787)**	**(930)**	(578)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(9,703)**	**(9,703)**	(9,125)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (10,490)**	**$ (10,633)**	$ (9,703)

See accompanying notes and schedule to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Description of Business

On February 23, 2000, City Council directed that a Business Plan and Operating Charter for a Golf Services - Special Operating Agency (the "Agency") be prepared and further that the municipal golf course operations be realigned under the purview of the Planning, Property and Development Department.

The Agency manages the golf courses operated by The City of Winnipeg and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to The City of Winnipeg on golf operations and ensure the long-term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

2. Significant Accounting Policies

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

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which it is earned provided it is measurable and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Deferred revenue

Sales of prepaid passes that have not been redeemed are deferred and recognized as revenue in the year in which the rounds are played.

c) Use of estimates

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

d) Non-financial assets

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

2. *Significant Accounting Policies (continued)*

e) Tangible capital assets

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by The City of Winnipeg Assessment and Taxation Department. All golf course improvements incurred up to January 1, 2002 are assumed to be fully amortized. Equipment on hand as at January 1, 2002 is recorded at its estimated net realizable value on that date. Subsequent acquisitions are recorded at cost.

Capital assets are amortized over their estimated useful lives using the following rates and methods:

Building	4%	Straight-line
Equipment	10%	Straight-line
Golf course improvements	5%	Straight-line

f) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value. The amount of inventory expensed during the year was $59 thousand (2011 - $49 thousand).

g) Revenue recognition

Green fees and equipment rentals income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product. Income from prepaid passes is recognized in the year in which the rounds are played.

h) Employee benefit plan

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

3. *Due to The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is $6.5 million at a varying overnight rate that is a function of the Bank of Canada rate. As of December 31, 2012, the rate was 0.9% (2011 - 0.9%). The interest paid in 2012 was $61 thousand (2011 - $52 thousand). The Agency will be submitting a request to increase the limit of this line of credit to $7.5 million in 2013.

4. Debt - The City of Winnipeg

	2012	2011
Golf Course Reserve		
Golf course improvement loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	**$ 9**	$ 19
- 2005	**19**	27
- 2006	**42**	54
- 2007	**115**	140
- 2008	**175**	204
- 2009	**9**	10
- 2010	**208**	231
- 2011	**42**	46
- 2012	**217**	235
- 2013	**45**	45
- 2014	**60**	-
	941	1,011
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of $208 thousand, including interest and principal	**2,992**	3,019
	$ 3,933	$ 4,030

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

2013	$ 170
2014	175
2015	175
2016	170
2017	147
Thereafter	3,096
	$ 3,933

b) Interest on the golf course improvement loans during the year was $63 thousand (2011 - $66 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was $181 thousand (2011 - $182 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was $244 thousand (2011 - $248 thousand).

5. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2012	2011
Retirement allowance - accrued benefit liability	**$ 107**	$ 96
Vacation	**52**	52
Compensated absences	**2**	1
	$ 161	$ 149

5. Accrued Employee Benefits (continued)

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 12.1 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2011. The results of this valuation were extrapolated to the financial reporting date of December 31, 2012 using year-end assumptions.

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

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

	2012		2011	
	Retirement allowance	Compensated absences	Retirement allowance	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	**$ 101**	**$ 39**	$ 56	$ 13
Current service cost	**7**	**3**	6	36
Interest cost	**4**	**1**	2	-
Benefit payments	**-**	**(6)**	(3)	(49)
Net actuarial (gain)/loss	**(14)**	**-**	40	39
Balance, end of year	**98**	**37**	101	39
Unamortized net actuarial gain/(loss)	**9**	**(35)**	(5)	(38)
Accrued benefit liability end of year	**$ 107**	**$ 2**	$ 96	$ 1
Benefit expense:				
Current service cost	**$ 7**	**$ 3**	$ 6	$ 36
Interest cost	**4**	**1**	2	-
Amortization of net actuarial gain/(loss)	**-**	**3**	(2)	-
	$ 11	**$ 7**	$ 6	$ 36
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 96**	**$ 1**	$ 93	$ 14
Benefit expense	**11**	**7**	6	36
Benefit payments	**-**	**(6)**	(3)	(49)
	$ 107	**$ 2**	$ 96	$ 1

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

	2012	2011
Valuation interest rate	**3.60%**	3.60%
General increases in pay	**3.50%**	3.50%

5. Accrued Employee Benefits (continued)

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

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $71 thousand (2011 - $72 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and it has an actuarial surplus.

6. Tangible Capital Assets

	Net Book Value	
	2012	2011
Land	**$ 20,376**	$ 20,376
Building	**1,278**	1,529
Equipment	**404**	439
Golf course improvements	**782**	824
	$ 22,840	$ 23,168

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

7. Accumulated Surplus

	2012	2011
Contributed surplus	**$ 20,574**	$ 20,574
Deficit	**(8,367)**	(7,104)
	$ 12,207	$ 13,470

8. Related Party Transactions

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

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

a) In Services, an amount of $16 thousand (2011 - $15 thousand) for general government charges has been included and paid to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency;

b) An amount of $17 thousand (2011 - $17 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space;

c) An amount of $54 thousand (2011 - $52 thousand) has been charged by The City of Winnipeg General Revenue Fund for various supporting services provided by The City of Winnipeg Planning, Property and Development Department;

d) An amount of $112 thousand (2011 - $149 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various golf courses;

8. Related Party Transactions (continued)

e) An amount of $57 thousand (2011 - $25 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance and rental on vehicles owned/leased by the Agency; and

f) An amount of $15 thousand (2011 - $12 thousand) has been charged by The City of Winnipeg Water and Waste Department for landfill tipping fees.

9. Municipal Tax Equivalency Charge

Municipal realty tax equivalency charges are applicable to the five facilities owned and previously operated by The City of Winnipeg - Windsor, Kildonan, Crescent Drive, Harbour View and John Blumberg. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned. Estimated business tax equivalency amounts are also included with respect to the three facilities operated entirely by the Agency, based on rates applicable to private golf course businesses. The municipal tax equivalency charge also includes payroll tax of $27 thousand (2011 - $26 thousand).

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Building	Equipment	Golf Course Improvements	Total 2012	Total 2011
Cost						
Balance, beginning of year	$ 20,376	$ 2,544	$ 1,515	$ 1,038	$ 25,473	$ 25,439
Add:						
Additions during the year	-	-	70	10	80	56
Less:						
Disposals during the year	-	(267)	(5)	-	(272)	(22)
Balance, end of year	20,376	2,277	1,580	1,048	25,281	25,473
Accumulated amortization						
Balance, beginning of year	-	1,015	1,076	214	2,305	2,007
Add:						
Amortization	-	91	105	52	248	301
Less:						
Accumulated amortization on disposals	-	(107)	(5)	-	(112)	(3)
Balance, end of year	-	999	1,176	266	2,441	2,305
Net Book Value of Tangible Capital Assets	$ 20,376	$ 1,278	$ 404	$ 782	$ 22,840	$ 23,168

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2012	2011
FINANCIAL ASSETS		
Accounts receivable	**$ 120**	$ 121
Due from The City of Winnipeg - General Revenue Fund (Note 3)	**1,194**	-
	1,314	121
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**-**	7,621
Accounts payable and accrued liabilities	**1,371**	1,067
Debt (Note 4)	**47,251**	48,830
Other liabilities (Note 5)	**-**	83
Accrued employee benefits (Note 6a)	**1,401**	1,359
	50,023	58,960
NET FINANCIAL LIABILITIES	**(48,709)**	(58,839)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**70,165**	77,056
Inventories	**1,696**	1,841
Prepaid expenses	**535**	636
	72,396	79,533
ACCUMULATED SURPLUS	**$ 23,687**	$ 20,694

Commitments (Note 8)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
REVENUES			
Fleet leases	**$ 26,990**	**$ 25,316**	$ 24,153
Fuel sales	**7,089**	**8,789**	8,734
Services and parts revenue (Schedule 1)	**7,289**	**7,459**	7,664
Rental income	**2,857**	**2,511**	2,539
Gain on sale of tangible capital assets	**100**	**432**	532
Total Revenues	**44,325**	**44,507**	43,622
EXPENSES			
Amortization	**13,709**	**13,192**	12,239
Supplies	**9,777**	**10,860**	10,516
Salaries and employee benefits	**8,890**	**8,432**	8,201
Services	**7,514**	**6,558**	6,976
Interest (Notes 3 and 4)	**2,255**	**1,968**	2,087
Other	**906**	**504**	236
Total Expenses	**43,051**	**41,514**	40,255
Excess Revenues Over Expenses	**$ 1,274**	**2,993**	3,367
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**20,694**	17,327
ACCUMULATED SURPLUS, END OF YEAR		**$ 23,687**	$ 20,694

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess Revenues Over Expenses	**$ 2,993**	$ 3,367
Non-cash charges to operations		
Amortization	**13,192**	12,239
Gain on sale of tangible capital assets	**(432)**	(532)
Retirement allowance and compensated absences	**-**	58
Write down of environmental liability	**(30)**	(390)
Write down of other liabilities	**(2)**	-
Accretion expense	**2**	4
	15,723	14,746
Net change in non-cash working capital balances related to operations	**540**	(114)
Cash provided by operating activities	**16,263**	14,632
CAPITAL		
Acquisition of tangible capital assets	**(6,577)**	(15,670)
Proceeds on disposal of tangible capital assets	**708**	875
Cash used in capital activities	**(5,869)**	(14,795)
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**(8,815)**	(1,171)
Proceeds from term loans	**9,000**	10,000
Repayment of term loans	**(10,405)**	(8,666)
Repayment of debt - The City of Winnipeg	**(174)**	-
Cash (used in) provided by financing activities	**(10,394)**	163
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Budget 2012 (Unaudited)	**Actual 2012**	Actual 2011
EXCESS REVENUES OVER EXPENSES	**$ 1,274**	**$ 2,993**	$ 3,367
Amortization of tangible capital assets	**13,709**	**13,192**	12,239
Proceeds on disposal of tangible capital assets	**100**	**708**	875
Gain on sale of tangible capital assets	**(100)**	**(432)**	(532)
Change in inventories and prepaid expenses	**261**	**246**	(22)
Acquisition of tangible capital assets	**(15,840)**	**(6,577)**	(15,670)
DECREASE (INCREASE) IN NET FINANCIAL LIABILITIES	**(596)**	**10,130**	257
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(61,008)**	**(58,839)**	(59,096)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (61,604)**	**$ (48,709)**	$ (58,839)

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Status of the Winnipeg Fleet Management Agency

On May 28, 2003, City Council adopted the Winnipeg Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency effective January 1, 2003.

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

2. Significant Accounting Policies

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

a) Basis of accounting

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

b) Non-financial assets

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

i) Tangible capital assets

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

Tangible capital assets are amortized on the basis of their cost less approximate residual value over their estimated useful lives using the following rates and methods:

Buildings	4% to 8%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	1 to 15 years	Straight-line
Equipment	3% to 30%	Straight-line

Amortization begins once an asset is placed into service.

2. *Significant Accounting Policies (continued)*

ii) Inventories

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

c) Revenue recognition

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

d) Government transfers

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

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

e) Employee benefit plan

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

f) Estimates

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

3. *Due from/to The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%). As well, the Agency has negotiated an operating line of credit up to $300 thousand and a line of credit for short-term financing from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisitions.

Interest paid to The City of Winnipeg - General Revenue Fund was $22 thousand (2011 - $71 thousand). Interest received from The City of Winnipeg - General Revenue Fund was $12 thousand (2011 - $nil).

4. Debt

Lender	Maturity Date	Interest Rate	2012	2011
Royal Bank of Canada (Note 4b)	2013 - 2019	4.53% - 5.20%	**$ 14,438**	$ 17,476
The Toronto-Dominion Bank (Note 4b)	2013 - 2021	2.17% - 4.14%	**32,635**	31,002
			47,073	48,478
The City of Winnipeg - non-interest bearing, no repayment schedule (Note 9e)			**178**	352
			$ 47,251	$ 48,830

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

2013	$ 10,397
2014	9,600
2015	8,513
2016	6,569
2017	5,311
Thereafter	6,861
	$ 47,251

b) The Agency has credit facilities by way of series of unsecured term loans. The term loans bear a fixed rate of interest quoted by the bank at the time of each borrowing. As at December 31, 2012, $47,073 thousand (2011 - $48,478 thousand) was outstanding under these facilities. The effective interest rate at December 31, 2012 was 4.1% (2011 - 4.2%).

c) Cash paid for interest during the year is $1,956 thousand (2011 - $2,081 thousand).

5. Other Liabilities

a) Environmental liability

During the year, the Agency decommissioned its underground waste oil storage tank site. The environmental liability associated with the decommissioned waste oil storage tank site property is $nil (2011 - $30 thousand) and an amount of $30 thousand realized from the reduction of the liability was recognized during the year.

b) Other liabilities

During the year, the Agency decommissioned two petroleum tank systems. Other liabilities associated with the Agency's petroleum storage tank systems is $nil (2011 - $53 thousand) and an amount of $2 thousand realized from the reduction of the liability was recognized during the year.

6. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2012	2011
Vacation	**$ 658**	$ 578
Retirement allowance - accrued liability	**623**	670
Compensated absences	**120**	111
	$ 1,401	$ 1,359

6. *Accrued Employee Benefits (continued)*

Under the retirement allowance program, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.6 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2011. The results of this valuation were extrapolated to December 31, 2012.

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

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

	2012		2011	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 864**	**$ 216**	$ 668	$ 94
Current service cost	**51**	**15**	35	205
Interest cost	**31**	**8**	26	4
Benefit payments	**(146)**	**(22)**	(20)	(196)
Amortization of net actuarial loss	**40**	**-**	155	109
Balance, end of year	**840**	**217**	864	216
Unamortized net actuarial loss	**(217)**	**(97)**	(194)	(105)
Accrued benefit liability	**$ 623**	**$ 120**	$ 670	$ 111
Benefit expense consists of the following:				
Current service cost	**$ 51**	**$ 15**	$ 35	$ 205
Interest cost	**31**	**8**	26	4
Amortization of net actuarial loss	**17**	**8**	4	-
	$ 99	**$ 31**	$ 65	$ 209
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 670**	**$ 111**	$ 625	$ 98
Benefits expense	**99**	**31**	65	209
Benefits payments	**(146)**	**(22)**	(20)	(196)
Balance, end of year	**$ 623**	**$ 120**	$ 670	$ 111

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

	2012	2011
Valuation interest rate	**3.6%**	3.6%
General increases in pay	**3.5%**	3.5%

6. Accrued Employee Benefits (continued)

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

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $619 thousand (2011 - $558 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and it has an actuarial surplus.

7. Tangible Capital Assets

	Net Book Value	
	2012	2011
Land	**$ 390**	$ 390
Buildings	**2,549**	2,708
Fleet assets	**63,347**	70,360
Equipment	**3,879**	3,598
	$ 70,165	$ 77,056

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

The net book value of fleet assets not yet in service is $2,650 thousand (2011 - $4,163 thousand), and equipment not yet in service is $25 thousand (2011 - $19 thousand).

Fleet assets written off during the year is $nil (2011 - $nil). Interest capitalized during 2012 is $nil (2011 - $nil).

8. Commitments

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

	Operating Leases
2013	$ 191
2014	191
	$ 382

9. Related Party Transactions

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

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

a) Revenues include sales of goods and services of $42,724 thousand (2011 - $40,970 thousand) to The City of Winnipeg.

b) An amount of $885 thousand (2011 - $804 thousand) has been transferred to the General Revenue Fund for operator training and miscellaneous services.

c) An amount of $232 thousand (2011 - $274 thousand) has been transferred to the Municipal Accommodations Fund for the rental of office and garage space, and miscellaneous services.

d) An amount of $2 thousand (2011 - $4 thousand) has been transferred to the Parking Services Agency for miscellaneous services.

e) Transfer to the General Revenue Fund for repayment of The City of Winnipeg debt is $174 thousand (2011 - $nil).

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF SERVICES AND PARTS REVENUE

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

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
Consumables and corrective maintenance	**$ 3,855**	**$ 3,770**	$ 3,564
Insurance revenue	**1,746**	**1,698**	1,755
Power tools	**742**	**742**	727
Autopac rebate	**453**	**454**	381
Manufacturing sales	**169**	**376**	300
Other	**168**	**269**	789
Provincial support grant	**156**	**150**	148
	$ 7,289	**$ 7,459**	$ 7,664

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Buildings	Fleet Assets
Cost			
Balance, beginning of year	**$ 390**	**$ 3,703**	**$ 120,912**
Add:			
Additions during the year	**-**	**7**	**5,862**
Less:			
Disposals during the year	**-**	**-**	**(2,368)**
Balance, end of year	**390**	**3,710**	**124,406**
Accumulated amortization			
Balance, beginning of year	**-**	**995**	**50,552**
Add:			
Amortization	**-**	**166**	**12,600**
Less:			
Accumulated amortization on disposals	**-**	**-**	**(2,093)**
Balance, end of year	**-**	**1,161**	**61,059**
Net Book Value of Tangible Capital Assets	**$ 390**	**$ 2,549**	**$ 63,347**

Schedule 2

Equipment	Total 2012	Total 2011
$ 6,167	**$ 131,172**	$ 118,254
708	**6,577**	15,670
(225)	**(2,593)**	(2,752)
6,650	**135,156**	131,172
2,569	**54,116**	44,286
426	**13,192**	12,239
(224)	**(2,317)**	(2,409)
2,771	**64,991**	54,116
$ 3,879	**$ 70,165**	$ 77,056

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2012	2011
FINANCIAL ASSETS		
Cash	**$ 53**	$ 87
Accounts receivable	**4,547**	4,278
Due from The City of Winnipeg - Land Operating Reserve (Note 3)	**10,000**	10,000
Due from The City of Winnipeg - General Revenue Fund (Note 4)	**201**	-
	14,801	14,365
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 4)	**-**	1,653
Accounts payable and accrued liabilities	**661**	276
Deferred revenue	**191**	236
Debt (Note 5)	**6,022**	7,372
Accrued employee benefits (Note 6)	**244**	251
	7,118	9,788
NET FINANCIAL ASSETS	**7,683**	4,577
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**7,804**	9,896
Inventories	**121**	111
Prepaid expenses	**1**	10
	7,926	10,017
ACCUMULATED SURPLUS (Note 8)	**$ 15,609**	$ 14,594

Commitments (Note 9)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2012 (Unaudited)	**Actual 2012**	Actual 2011
REVENUES			
Enforcement (Note 10)	**$ 7,445**	**$ 8,190**	$ 8,059
Meters	**5,293**	**5,186**	5,119
Parking fees (Note 11a)			
Surface parking lots	**1,479**	**1,454**	1,294
Millennium Library parkade	**750**	**694**	900
Civic Centre parkade	**897**	**608**	867
Special events	**335**	**256**	200
Parking permits	**99**	**80**	94
Sundry	**(39)**	**44**	(71)
Total Revenues	**16,259**	**16,512**	16,462
EXPENSES			
Services (Notes 11c, f, and h)			
Enforcement - contracts	**2,827**	**2,609**	2,857
Utilities	**1,043**	**1,133**	928
Parkade management	**510**	**313**	528
Meters	**622**	**171**	509
Special events	**110**	**94**	71
Other services (Note 11e)	**1,571**	**2,228**	1,576
Salaries and employee benefits (Note 6)	**2,187**	**1,979**	1,641
Amortization	**1,465**	**1,930**	1,355
Material, parts and supplies	**1,711**	**1,766**	1,913
Provision for bad debts	**737**	**1,219**	768
Write-down of tangible capital assets	**-**	**963**	-
Debt and finance charges (Notes 4 and 5b)	**202**	**216**	257
Recoveries	**-**	**(141)**	(27)
Other (Notes 11b, d, g, j and k)	**1,044**	**1,017**	1,116
Total Expenses	**14,029**	**15,497**	13,492
Excess Revenues over Expenses	**2,230**	**1,015**	2,970
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**14,594**	**14,594**	11,624
ACCUMULATED SURPLUS - END OF YEAR	**$ 16,824**	**$ 15,609**	$ 14,594

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	**$ 1,015**	$ 2,970
Non-cash items related to operations		
Write-down of tangible capital assets	**963**	-
Amortization	**1,930**	1,355
Retirement allowance and compensated absences	**(36)**	27
	3,872	4,352
Net change in non-cash working capital balances related to operations	**99**	12,560
Cash provided by operating activities	**3,971**	16,912
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**(1,854)**	(6,384)
Repayment of debt	**(1,350)**	(9,957)
Cash used in financing activities	**(3,204)**	(16,341)
CAPITAL		
Purchase of tangible capital assets	**(801)**	(580)
Cash used in capital activities	**(801)**	(580)
DECREASE IN CASH	**(34)**	(9)
CASH, BEGINNING OF YEAR	**87**	96
CASH, END OF YEAR	**$ 53**	$ 87

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE OF NET FINANCIAL ASSETS

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

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
EXCESS REVENUES OVER EXPENSES	**$ 2,230**	**$ 1,015**	$ 2,970
Amortization of tangible capital assets	**1,465**	**1,930**	1,355
Change in inventories and prepaid expenses	**25**	**(1)**	360
Write-down of tangible capital assets	**-**	**963**	-
Acquisition of tangible capital assets	**(4,668)**	**(801)**	(580)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	**(948)**	**3,106**	4,105
NET FINANCIAL ASSETS , BEGINNING OF YEAR	**4,577**	**4,577**	472
NET FINANCIAL ASSETS, END OF YEAR	**$ 3,629**	**$ 7,683**	$ 4,577

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Description of Business

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

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

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

The Winnipeg Parking Authority - Special Operating Agency ("the Agency") was created effective October 27, 2004 and commenced operations on January 1, 2005.

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

2. Significant Accounting Policies

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

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which it is earned provided it is measurable and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Deferred revenue

Certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or services performed.

c) Non-financial assets

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

2. *Significant Accounting Policies (continued)*

i) Tangible capital assets

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

Property, equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. The amortization rates are as follows:

Leasehold improvements	15 Years
Parking surfaces	5%
Parkades	4%
Vehicles	20%
Meters and pay stations	10%
Equipment	10-20%
Computer equipment	33%
Office furniture and equipment	20%
Parkade betterments	5%

During the year, there was a change in the estimated useful life of the remaining parkade assets, which are now being amortized at a rate of 4%. This change in estimate has been accounted for prospectively.

ii) Leases

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

iii) Inventories

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

d) Employee benefit plan

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

e) Use of estimates

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

3. *Due from The City of Winnipeg - Land Operating Reserve*

In 2010, Winnipeg Square Parkade was sold and the proceeds of disposition were deposited to The City of Winnipeg - Land Operating Reserve. There is no specific repayment terms on the receivable.

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

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account. The December 31, 2012 effective interest rate was 0.95% (2011 - 0.95%).

Interest received from The City of Winnipeg General Revenue Fund on the line of credit was $4 thousand for the year (2011 - paid $76 thousand).

5. *Debt*

		2012		2011
The City of Winnipeg - General Revenue Fund				
Start-up loan with no specific terms of repayment	**$**	**3,918**	$	3,918
Equipment financing				
Capital lease loans repayable in annual installments of $181 thousand to $780 thousand, including an imputed interest rate of 4.5% with maturity dates between January 2013 and October 2013		**2,104**		3,454
	$	**6,022**	$	7,372

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

2013	$	2,104

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2011 - $nil).

6. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

		2012		2011
Vacation	**$**	**148**	$	119
Retirement allowance - accrued benefit liability		**68**		104
Compensated absences		**28**		28
	$	**244**	$	251

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 10.6 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

6. Accrued Employee Benefits (continued)

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2011. The results of this valuation were extrapolated to the financial reporting date of December 31, 2012 using year-end assumptions.

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

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

	2012		2011	
	Retirement Allowance	**Compensated Absences**	Retirement Allowance	Compensated Absences
Accrued benefit liability:				
Balance, beginning of year	**$ 103**	**$ 12**	$ 110	$ 15
Current service cost	**7**	**1**	8	47
Interest cost	**4**	**-**	4	1
Benefit payments	**(48)**	**-**	-	(36)
Net actuarial gain/(loss)	**35**	**-**	(19)	(15)
Balance, end of year	**101**	**13**	103	12
Unamortized net actuarial (loss)/gain	**(33)**	**15**	1	16
Accrued benefit liability	**$ 68**	**$ 28**	$ 104	$ 28
Benefit expense:				
Current service cost	**$ 7**	**$ 1**	$ 8	$ 47
Interest cost	**4**	**-**	4	1
Amortization of net actuarial gain/(loss)	**1**	**(1)**	3	-
	$ 12	**$ -**	$ 15	$ 48
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 104**	**$ 28**	$ 89	$ 16
Benefit expense	**12**	**-**	15	48
Benefit payments	**(48)**	**-**	-	(36)
	$ 68	**$ 28**	$ 104	$ 28

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

	2012	2011
Valuation interest rate	**3.60%**	3.60%
General increases in pay	**3.50%**	3.50%

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $141 thousand (2011 - $103 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2011 and it has an actuarial surplus.

7. *Tangible Capital Assets*

	Net Book Value 2012	Net Book Value 2011
Land	**$ 73**	$ 73
Parkades	**1,301**	2,314
Authority assets		
Leasehold improvements	**316**	335
Parking surfaces	**345**	381
	661	716
Equipment		
Vehicles	**63**	117
Meters and pay stations	**5,144**	5,685
Equipment	**369**	662
Computer equipment	**170**	290
Office furniture and equipment	**23**	39
	5,769	6,793
	$ 7,804	$ 9,896

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

During the year, $963 thousand (2011 - $nil) of tangible capital assets were written-down.

8. *Accumulated Surplus*

	Budget 2012 (Unaudited)	**Actual 2012**	Actual 2011
Capital	**$ 15,185**	**$ 15,185**	$ 15,185
Contributed surplus	**172**	**172**	172
Operating	**1,467**	**252**	(763)
	$ 16,824	**$ 15,609**	$ 14,594

9. *Commitments*

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

	Operating Leases
2013	$ 53
2014	37
2015	21
2016	13
2017 and thereafter	6
	$ 130

10. *Enforcement Revenue*

Prior to 2005, enforcement revenue was accounted for using the cash basis of accounting by the City. At January 1, 2005 a gross enforcement receivable was estimated at $12,182 thousand, which was assumed by the Agency, and a corresponding allowance for doubtful accounts set up. The Agency accounted for $105 thousand (2011 - $273 thousand) during 2012.

11. Related Party Transactions

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

a) Revenues include sales of $551 thousand (2011 - $491 thousand) to the City.

b) An amount of $37 thousand (2011 - $37 thousand) for general government charges has been included and paid to The City of Winnipeg General Revenue Fund which represents the estimated share of the City's general expenses applicable to the Agency.

c) In Services, an amount of $127 thousand (2011 - $123 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.

d) An amount of $279 thousand (2011 - $279 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of information technology, finance and human resources support services.

e) An amount of $122 thousand (2011 - $117 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various locations.

f) In Services, an amount of $48 thousand (2011 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

g) An amount of $407 thousand (2011 - $433 thousand) has been transferred to The City of Winnipeg General Revenue Fund for payments-in-lieu of municipal taxes. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned.

h) In Services, an amount of $362 thousand (2011 - $352 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance, fuel, maintenance and rental on vehicles owned/leased by the Agency.

i) In accounts receivable, an amount of $nil (2011 - $61 thousand) is included for parking charges owing from the City.

j) An amount of $133 thousand (2011 - $130 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost for 311 services.

k) An amount of $42 thousand (2011 - $42 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

12. Comparative Figures

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

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Parkades	Authority Assets	Equipment	Total 2012	Total 2011
Cost						
Balance, beginning of year	**$ 73**	**$ 2,683**	**$ 981**	**$ 11,309**	**$ 15,046**	$ 15,013
Add:						
Additions during the year	**-**	**31**	**17**	**753**	**801**	580
Less:						
Write-down of tangible capital assets	**-**	**(941)**	**-**	**(367)**	**(1,308)**	-
Disposals during the year	**-**	**-**	**-**	**-**	**-**	(547)
Balance, end of year	**73**	**1,773**	**998**	**11,695**	**14,539**	15,046
Accumulated amortization						
Balance, beginning of year	**-**	**369**	**265**	**4,516**	**5,150**	4,342
Add:						
Amortization	**-**	**248**	**72**	**1,610**	**1,930**	1,355
Less:						
Write-down of tangible capital assets	**-**	**(145)**	**-**	**(200)**	**(345)**	-
Accumulated amortization on disposals	**-**	**-**	**-**	**-**	**-**	(547)
Balance, end of year	**-**	**472**	**337**	**5,926**	**6,735**	5,150
Net Book Value of Tangible Capital Assets	**$ 73**	**$ 1,301**	**$ 661**	**$ 5,769**	**$ 7,804**	$ 9,896


RED RIVER COLLEGE
WILLIAM
FINDLAYS

2012 WHOLLY OWNED CORPORATIONS

DETAILED FINANCIAL STATEMENTS


Winnipeg
Convention
Centre

THE CONVENTION CENTRE CORPORATION

STATEMENT OF REVENUES AND EXPENDITURES

Year Ended December 31

	2012	2011
Operating revenue (Note 19)	**$ 12,612,158**	$ 12,122,385
Operating costs	**6,037,924**	5,900,700
Net operating revenue	**6,574,234**	6,221,685
General operating grant (Note 18)		
City of Winnipeg	**1,530,806**	1,530,807
Province of Manitoba	**1,406,000**	1,406,000
	2,936,806	2,936,807
	9,511,040	9,158,492
Expenditures		
Accounting and financial services and human resources	**755,805**	707,532
Administration	**1,821,385**	1,757,347
Building maintenance	**3,533,700**	3,670,708
Client services	**998,578**	1,033,502
Sales and promotion	**943,105**	812,108
Security	**494,108**	487,323
	8,546,681	8,468,520
Excess of revenue over expenditures before the under-noted	**964,359**	689,972
City of Winnipeg debt servicing grants		
Debentures (Note 18)	**434,442**	434,480
Term loan (Note 18)	**-**	36,129
Recognition of deferred contributions related to capital assets (Notes 9, 10 and 11)	**818,025**	862,617
Amortization of capital assets (Note 4)	**(1,464,617)**	(1,636,138)
Interest on City of Winnipeg debentures	**(178,949)**	(187,771)
Excess of revenue over expenditures	**$ 573,260**	$ 199,289

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FUND BALANCES

Year ended December 31

	2012	2011
BALANCE, beginning of year	**$ 2,296,937**	$ 2,097,648
Excess of revenue over expenditures	**573,260**	199,289
BALANCE, end of year	**$ 2,870,197**	$ 2,296,937

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31

	2012	2011	January 1 2011
ASSETS			
Current			
Cash	**$ 2,379,929**	$ 1,531,720	$ 2,309,640
Accounts receivable	**1,272,242**	1,240,495	1,331,576
Expansion funding receivable (Note 12)	**4,924,207**	-	-
Roof replacement funding receivable	**-**	1,428,072	-
Inventory	**207,722**	183,078	173,557
Prepaid expenses	**54,407**	66,575	72,302
	8,838,507	4,449,940	3,887,075
Capital assets (Note 4)	**14,956,617**	9,013,350	7,716,340
Deferred expansion costs (Note 5)	**6,336,538**	314,033	-
	$ 30,131,662	$ 13,777,323	$ 11,603,415
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 2,547,737**	$ 2,688,686	$ 2,492,055
Accounts payable related to expansion	**4,685,945**	-	-
Customer deposits and unearned revenue	**609,439**	501,531	444,130
Current portion of City of Winnipeg debentures (Note 7)	**258,821**	255,911	243,663
Current portion of City of Winnipeg term loan (Note 8)	**-**	-	36,129
	8,101,942	3,446,128	3,215,977
City of Winnipeg debentures (Note 7)	**372,472**	631,292	887,184
Deferred contributions related to capital assets (Note 9)	**622,473**	990,249	1,465,647
Deferred funding - wall cladding replacement and stabilization (Note 10)	**3,277,041**	3,607,000	3,936,959
Deferred funding - roof replacement (Note 11)	**2,963,330**	2,805,717	-
Deferred funding - expansion (Note 12)	**4,924,207**	-	-
Due to Province of Manitoba (Note 13)	**7,000,000**	-	-
	27,261,465	11,480,386	9,505,767
FUND BALANCES			
Operating fund (Note 14)	**510,000**	836,247	107,002
Restricted fund (Note 15)	**1,901,583**	737,509	807,681
Invested in capital assets (Note 16)	**458,614**	723,181	1,182,965
	2,870,197	2,296,937	2,097,648
	$ 30,131,662	$ 13,777,323	$ 11,603,415

Commitments (Note 22)

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31

	2012	2011
Increase (decrease) in cash and cash equivalents		
OPERATING		
Excess of revenue over expenditures	**$ 573,260**	$ 199,289
Adjustments for:		
amortization of capital assets	**1,464,617**	1,636,138
recognition of deferred contributions related to capital assets	**(818,025)**	(862,617)
	1,219,852	972,810
Net changes in working capital balances		
Accounts receivable	**(31,747)**	91,081
Expansion funding receivable	**(4,924,207)**	-
Roof replacement funding receivable	**1,428,072**	(1,428,072)
Inventory	**(24,644)**	(9,521)
Prepaid expenses	**12,168**	5,727
Accounts payable and accrued liabilities	**(140,949)**	196,631
Accounts payable related to expansion	**4,685,945**	-
Customer deposits and unearned revenue	**107,908**	57,401
	2,332,398	(113,943)
FINANCING		
City of Winnipeg term loan repayments	**-**	(36,129)
City of Winnipeg debenture repayments	**(255,910)**	(243,644)
Debt to Province of Manitoba for land purchase	**7,000,000**	-
	6,744,090	(279,773)
CAPITAL		
Deferred expansion costs	**(6,022,505)**	(314,033)
Major repair and replacement expenditures	**(277,003)**	(2,933,148)
Deferred funding received in year	**277,902**	2,862,977
Land purchase	**(7,130,880)**	-
Deferred funding for expansion	**4,924,207**	-
	(8,228,279)	(384,204)
NET INCREASE (DECREASE) IN CASH	**848,209**	(777,920)
Cash and cash equivalents, net of bank indebtedness		
Beginning of year	**1,531,720**	2,309,640
End of year	**$ 2,379,929**	$ 1,531,720

See accompanying notes to the financial statements

1. *Nature of Operations*

The Corporation was incorporated by special act under the laws of Manitoba to operate and promote the Winnipeg Convention Centre. The Corporation is a not-for-profit organization and is therefore not subject to income taxes.

2. *Summary of Significant Accounting Policies*

Basis of accounting

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

Fund method of accounting

Under the fund method of accounting the excess of revenue over expenditures is allocated to the Operating Fund. Any additions to the Operating Fund may be transferred to the Restricted Fund for future expenditures or major repairs and replacements by Board of Directors resolution. It is the policy of the Corporation to retain sufficient amounts in the Operating Fund to fund future operations.

As assets are acquired a like amount is transferred from the Restricted Fund to the Invested in Capital Asset Fund. The Invested in Capital Asset Fund is reduced by the amortization of such assets and the amount amortized is transferred to the operating fund. The resulting balance represents the unamortized investment in major repairs and replacements net of amounts funded by grants.

Cash

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

Inventory

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

Capital assets

Capital assets are recorded at cost.

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

Amortization is calculated at the following rates and basis:

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

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

Revenue recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably assured.

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

Vacation pay and sick leave entitlement

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

Financial instruments

During the year, the Corporation applied the recommendations of new Sections PS 1201, Financial Statement Presentation, and PS 3450, Financial Instruments, of the CICA Public Sector Accounting Handbook. These new sections require prospective application and, accordingly, comparative amounts are presented in accordance with the accounting policies which the Corporation applied before adoption of these new sections.

Initial measurement

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

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

Subsequent measurement

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

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

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

3. *First-Time Adoption of Canadian Public Sector Accounting Standards*

These financial statements are the Corporation's first financial statements prepared using Canadian public sector accounting standards, including the recommendations of accounting standards that apply solely to government not-for-profit organizations set out in Sections PS 4200 to PS 4270 in the CICA Public Sector Accounting Handbook (hereafter the "new accounting standards").

The date of transition to the new accounting standards is January 1, 2011. The accounting policies presented in Note 2 and resulting from the application of the new accounting standards were used to prepare the financial statements for the year ended December 31, 2012, the comparative information and the opening statement of financial position as at the date of transition, with the exception of the accounting policy for financial assets and liabilities which has been applied prospectively (the comparative amounts are presented in accordance with the accounting policies applied by the Corporation immediately preceding adoption of the new accounting standards).

Section PS 2125, First-time Adoption by Government Organizations, contains exemptions to full retrospective application which the Corporation may use upon transition. The Corporation did not apply any optional exemptions.

The Corporation's transition to the new accounting standards has had no significant impact on the opening fund balances as at January 1, 2011, or the statement of revenues and expenditures for the year ended December 31, 2011 or the statement of cash flows for the year ended December 31, 2011. As a result, although the statement of financial position as at January 1, 2011 has been provided, the reconciliations and disclosures required by Section PS 2125, First-time Adoption by Government Organizations, for the fund balances at the transition date, the comparative period excess of revenues over expenditures and the cash flow statement are not necessary and have not been presented in these financial statement notes. The only change to the cash flow statement is that the new accounting standards require the separate presentation of capital and investing activities.

4. *Capital Assets*

		Accumulated	Net Book Value	
	Cost	**Depreciation**	**2012**	2011
Land	**$ 7,130,880**	**$ -**	**$ 7,130,880**	$ -
Major capital expenditures	**2,000,000**	**1,938,939**	**61,061**	112,612
Revitalization program				
City of Winnipeg portion	**3,000,000**	**2,429,767**	**570,233**	774,592
Province of Manitoba portion	**2,000,000**	**1,612,737**	**387,263**	523,503
Major repair and replacement	**12,700,818**	**12,163,809**	**537,009**	1,160,126
Wall cladding replacement	**6,599,175**	**3,322,134**	**3,277,041**	3,607,000
Roof replacement under construction	**3,140,880**	**177,550**	**2,963,330**	2,805,717
Art holdings	**29,800**	**-**	**29,800**	29,800
	$ 36,601,553	**$ 21,644,936**	**$ 14,956,617**	$ 9,013,350

4. *Capital Assets (continued)*

	Net Book Value January 1, 2011
Land	$ -
Major capital expenditures	161,626
Revitalization program	
City of Winnipeg portion	969,221
Province of Manitoba portion	653,263
Major repair and replacement	1,995,271
Wall cladding replacement	3,936,959
Roof replacement under construction	-
Art holdings	-
	$ 7,716,340

Major capital expenditures

Major capital expenditures represent expenditures for major capital projects incurred in the years 1987 to 1995 inclusive.

Major capital expenditures are carried at cost and are equal to the related debentures (Note 7). The costs are amortized in an amount equal to the principal repayments on the related debentures, which approximates the estimated useful life of the assets.

Revitalization program

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

City of Winnipeg portion

The revitalization programs expenditures funded by the City are carried at cost and are equal to the related debentures (Note 7). The costs are amortized in an amount equal to the principal repayments on the debentures, which approximates the estimated useful life of the assets.

Province of Manitoba portion

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

Major repair and replacement

A portion of major repairs and replacements incurred after 1993 have been funded by grants from the City of Winnipeg and the Province of Manitoba. The assets are carried at cost and amortized over their estimated useful life. The funded portion included with deferred contributions related to capital assets, is recognized on the same basis.

4. Capital Assets (continued)

Wall cladding replacement and stabilization

This amount represents the expenditures for the replacement of the exterior tyndall stone cladding of the Winnipeg Convention Centre. Pursuant to a funding agreement dated March 21, 2002, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project up to $6.6 million.

The expenditures are carried at cost and are being amortized on a straight line basis over 20 years. The funding for this project is recorded as deferred revenue and will be amortized to income at the same rate as the asset is amortized.

Roof replacement

This amount represents the expenditures for the replacement of the roof of the Winnipeg Convention Centre. Pursuant to a funding agreement dated August 4, 2011, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project up to $3,646,435.

The expenditures are carried at cost and are being amortized on a straight line basis over 25 years, with one-half of the annual amortization claimed in the year the construction was commenced. The funding for this project is recorded as deferred revenue and will be amortized to income at the same rate as the asset is amortized.

Amortization expenses

	2012	2011
Major capital expenditures	**$ 51,551**	$ 49,027
Revitalization program:		
City of Winnipeg portion	**204,359**	194,637
Province of Manitoba portion	**136,240**	129,738
Major repair and replacement	**622,218**	875,517
Wall cladding replacement	**329,959**	329,959
Roof replacement	**120,290**	57,260
	$ 1,464,617	$ 1,636,138

5. **Deferred Expansion Costs**

The Corporation has deferred costs incurred during the current and prior year related to the expansion of the existing facility. The deferred costs are expected to be capitalized at the time the expansion construction begins. These costs include design, project management, legal, insurance, and other related costs.

6. Demand Operating Loan

The Corporation has a demand operating loan credit facility from the Royal Bank of Canada of $250,000, which bears interest at the bank's prime rate and is secured by a general security agreement. The balance at December 31, 2012, December 31, 2011, and January 1, 2011 is nil.

7. *City of Winnipeg Debentures*

	Debenture	Net of Sinking Fund 2012	Net of Sinking Fund 2011	Net of Sinking Fund January 2011
For major capital expenditures:				
Serial Debenture. Principal payments vary under the terms of the debenture, payable January 17th yearly, ending in 2013. The debenture bears interest between 3.05% and 5.35% per annum with interest payable semi-annually	**$ 29,080**	**$ 29,080**	$ 56,710	$ 82,962
Sinking Fund Debenture, bearing interest at 9.375%, maturing February 11, 2013, with annual Sinking Fund contributions of $6,805 earning interest at 5%	**225,000**	**8,000**	25,101	41,387
Sinking Fund Debenture, bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of $3,024 earning interest at 5%	**100,000**	**19,358**	26,170	32,658
For revitalization program expenditures:				
Bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of $90,728 earning interest at 5%	**3,000,000**	**574,855**	779,222	973,840
	$ 3,354,080	**631,293**	887,203	1,130,847
Current portion		**258,821**	255,911	243,663
		$ 372,472	$ 631,292	$ 887,184

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

2013	$ 258,821
2014	$ 232,827
2015	$ 139,645

Debt service costs will be funded by grants from the City of Winnipeg. The Corporation annually allocates an amount from grants received from the City of Winnipeg to cover debt service costs and the grants are recorded to income when those costs are incurred.

8. City of Winnipeg - Term Loan

	2012	2011	January 1 2011
Term loan	**$ -**	$ -	$ 36,129
Less: current portion	**-**	-	(36,129)
	$ -	$ -	$ -

The loan was advanced in 1991 to fund the Corporation's deficit. The term loan was non-interest bearing and repayable in 14 annual principal payments of $44,348 each, beginning August 17, 1997 and the remaining balance was due on August 17, 2011.

9. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent externally restricted contributions including the provincial portion of the revitalization program assets and funds granted for major repair and replacement assets. These amounts are recognized as income as the related assets are amortized.

	2012	2011
Beginning balance	**$ 990,249**	$ 1,465,647
Deferred contributions for major repair and replacement expended on major repair and replacement assets during the year	**-**	-
Deduct amounts recognized as revenue:		
Major repair and replacement expenditures	**(227,669)**	(341,773)
Provincial portion of revitalization program expenditures	**(140,107)**	(133,625)
	$ 622,473	$ 990,249

10. Deferred Funding - Wall Cladding Replacement and Stabilization

Deferred funding - wall cladding replacement and stabilization represent restricted contributions from the City of Winnipeg and the Province of Manitoba for the funding of the wall cladding replacement and stabilization project more fully disclosed in Note 4. This amount is being amortized into income as the related asset is amortized.

	2012	2011
Beginning balance	**$ 3,607,000**	$ 3,936,959
Deduct amount amortized to revenue	**(329,959)**	(329,959)
	$ 3,277,041	$ 3,607,000

11. Deferred Funding - Roof Replacement

Deferred funding - roof replacement represents restricted contributions from the City of Winnipeg and the Province of Manitoba for the funding of the roof replacement project more fully disclosed in Note 4. This amount is being amortized into income as the related asset is amortized.

	2012	2011
Beginning balance	**$ 2,805,717**	$ -
Additions in the year	**277,903**	2,862,977
Deduct amount amortized to revenue	**(120,290)**	(57,260)
	$ 2,963,330	$ 2,805,717

12. Deferred Funding - Expansion

Deferred funding - expansion represents contributions from the City of Winnipeg, Province of Manitoba, and Government of Canada for the funding of the expansion of the Winnipeg Convention Centre. This amount will be amortized into income once the expansion is complete on the same basis as the related asset is amortized. At December 31, 2012, this funding was receivable.

13. Due to Province of Manitoba

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

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

14. Operating Fund

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

	2012	2011
Opening balance	**$ 836,247**	$ 107,002
Excess of revenues over expenditures	**573,260**	199,289
Amortization of invested in capital assets	**394,549**	529,956
Transfer of funds internally restricted for capital assets expenditures	**(1,294,056)**	-
	$ 510,000	$ 836,247

15. *Restricted Fund*

The restricted fund represents the excess of revenues over expenditures that are internally restricted by board resolution for future expenditures on capital assets. The fund is reduced by annual expenditures on capital assets net of any externally restricted amounts.

	2012	2011
Opening balance	**$ 737,509**	$ 807,681
Capital assets purchased in the year, net of externally restricted amounts ($nil; 2011- $nil)	**(129,982)**	(70,172)
Transfer of funds internally restricted for capital asset expenditures	**1,294,056**	-
	$ 1,901,583	$ 737,509

16. *Invested in Capital Assets*

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

	2012	2011
Opening balance	**$ 723,181**	$ 1,182,965
Capital assets purchased in the year, net of disposals	**7,407,884**	2,933,149
Deferred contributions related to capital assets	**-**	-
Deferred funding - roof replacement	**(277,902)**	(2,862,977)
Debt related to land purchase	**(7,000,000)**	-
	129,982	70,172
Amortization of invested in capital assets	**(394,549)**	(529,956)
	$ 458,614	$ 723,181

17. *Expansion Funding*

In order to finance the cost of the expansion, the Corporation has entered into an agreement with the Province of Manitoba, effective January 24, 2013, for funding of up to $51,000,000. Agreements with the City of Winnipeg and Government of Canada are also in the process of being drafted and funding of up to $51,000,000 and $46,646,667, respectively, is expected.

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

18. *Grants*

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

		2012		2011
City of Winnipeg	**$**	**1,965,248**	$	2,001,416
Province of Manitoba		**1,406,000**		1,406,000
	$	**3,371,248**	$	3,407,416
The grants are allocated as follows:				
General operating grant	**$**	**2,936,806**	$	2,936,807
Debt service				
- City of Winnipeg debenture		**434,442**		434,480
- City of Winnipeg term loan		**-**		36,129
Major repairs and replacement expenditures		**-**		-
	$	**3,371,248**	$	3,407,416

19. *Related Party Transactions*

In addition to the grants and contributions received from the City of Winnipeg and the Province of Manitoba (Notes 9, 10, 11, 12 and 17), the City of Winnipeg debentures (Note 7), and the payable to the Province of Manitoba (Note 13), the Corporation had the following transactions with these related parties during the year.

Operating revenues of $325,124 related to events held at the Winnipeg Convention Centre.

The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

20. *Financial Instruments*

Financial risk management objectives and policies

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

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

Credit risk

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

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

20. *Financial Instruments (continued)*

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

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

The Corporation's management considers that all the above financial assets that are not impaired or past due are of good credit quality. None of the Corporation's financial assets are secured by a collateral instrument or other form of credit enhancement. There are no impaired financial assets or significant past due amounts as at December 31, 2012, December 31, 2011, and January 1, 2011.

Market risk

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

Interest rate risk

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

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

Liquidity risk

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

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

As at December 31, 2012, the Corporation's contractual maturities for financial liabilities (including any interest payments) are as follows:

	Due within 1 year	Due in 1-5 years
Accounts payable and accrued liabilities	$ 7,233,682	$ -
City of Winnipeg debentures	258,821	372,472
Payable to Province of Manitoba	-	7,000,000
	$ 7,492,503	$ 7,372,472

21. Comparison to Budgeted Results

	Actual 2012	Budget 2012 (Unaudited)	Variance
Operating revenue	**$ 12,612,158**	$ 12,593,657	$ 18,501
Operating costs	**6,037,924**	6,097,254	(59,330)
Net operating revenue	**6,574,234**	6,496,403	77,831
General Operating Grant	**2,936,806**	2,444,037	492,769
	9,511,040	8,940,440	570,600
Expenditures	**8,546,681**	8,940,440	(393,759)
Net operating revenue less expenditures	**$ 964,359**	$ -	$ 964,359

22. Commitments

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

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

2013	$ 1,160,086
2014	1,141,392
2015	1,148,084
2016	960,476
2017	341,401

23. Pension Plan

Description of benefit plan

The employees of the Corporation are members of the City of Winnipeg Civic Employees Defined Benefit Pension Plan. The Corporation funds its required portion of pension costs in monthly amounts specified by the City of Winnipeg.

Total cash payments

Total cash payments by the Corporation for employee future benefits for fiscal year 2012 were $427,690 (2011 - $445,380).

24. Economic Dependency

The Corporation is dependent on the City of Winnipeg and the Province of Manitoba for funding and financing which is essential to its continuing operations.

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
Current assets:			
Cash	**$ 956,310**	$ 692,524	$ 193,993
Investments (note 4)	**703,229**	954,228	825,894
Accounts receivable	**184,165**	55,231	33,148
Prepaid expenses	**133,425**	91,844	77,664
	1,977,129	1,793,827	1,130,699
Capital assets (note 5)	**81,203**	121,268	176,798
	$ 2,058,332	$ 1,915,095	$ 1,307,497
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued liabilities	**$ 128,139**	$ 70,572	$ 68,119
Deferred rent	**10,346**	22,761	31,416
Deferred contributions:			
Future expenses (note 6)	**668,937**	566,986	71,932
Capital assets (note 7)	**26,334**	57,930	89,528
	695,271	624,916	161,460
Net assets:			
Invested in capital assets (note 8)	**54,869**	63,338	87,270
Unrestricted	**495,250**	461,868	503,795
	550,119	525,206	591,065
Internally restricted:			
Appropriated for Yes! Winnipeg initiative reserve (note 9)	**153,500**	153,500	-
Appropriated for contingency reserve (note 9)	**520,957**	518,140	455,437
	1,224,576	1,196,846	1,046,502
Commitments (note 10)			
	$ 2,058,332	$ 1,915,095	$ 1,307,497

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENTS OF REVENUE AND EXPENDITURES

Years ended December 31, 2012 and 2011

	2012	2011
REVENUE:		
Funding:		
The City of Winnipeg	**$ 2,284,369**	$ 2,021,758
Province of Manitoba	**1,412,000**	1,412,000
Partnerships and investors contributions	**1,612,319**	1,505,293
Interest	**18,630**	18,087
Amortization of deferred contributions - capital assets (note 7)	**31,596**	31,598
	5,358,914	4,988,736
EXPENDITURES:		
Initiatives and marketing	**1,776,154**	1,560,806
Personnel	**3,011,055**	2,743,420
Administrative	**312,819**	295,452
Occupancy and facilities	**231,156**	238,714
	5,331,184	4,838,392
EXCESS OF REVENUE OVER EXPENDITURES	**$ 27,730**	$ 150,344

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2012 and 2011

	Unrestricted			Internally restricted		
December 31, 2012	**Invested in Capital Assets**	**Operating**	**Yes! Winnipeg Initiative**	**Contingency Reserve**	**Yes! Winnipeg Initiative Reserve**	**2012 Total**
Balances, beginning of year	**$ 63,338**	**$ 328,872**	**$ 132,996**	**$ 518,140**	**$ 153,500**	**$ 1,196,846**
Excess (deficiency) of revenue over expenditures	**(35,298)**	**236,267**	**(173,239)**	**-**	**-**	**27,730**
Transfer of funds for internally restricted purposes (note 9)	**-**	**(2,817)**	**-**	**2,817**	**-**	**-**
Transfer to Yes! Winnipeg initiative	**-**	**(132,996)**	**132,996**	**-**	**-**	**-**
Transfer for acquisition of capital assets	**26,829**	**(26,829)**	**-**	**-**	**-**	**-**
Balances, end of year	**$ 54,869**	**$ 402,497**	**$ 92,753**	**$ 520,957**	**$ 153,500**	**$ 1,224,576**

	Unrestricted			Internally restricted		
December 31, 2011	Invested in Capital Assets	Operating	Yes! Winnipeg Initiative	Contingency Reserve	Yes! Winnipeg Initiative Reserve	2011 Total
Balances, beginning of year	$ 87,270	$ 503,795	$ -	$ 455,437	$ -	$ 1,046,502
Excess (deficiency) of revenue over expenditures	(41,651)	191,995	-	-	-	150,344
Transfer of funds for internally restricted purposes (note 9)	-	(216,203)	-	62,703	153,500	-
Transfer to Yes! Winnipeg initiative	-	(132,996)	132,996	-	-	-
Transfer for acquisition of capital assets	17,719	(17,719)	-	-	-	-
Balances, end of year	$ 63,338	$ 328,872	$ 132,996	$ 518,140	$ 153,500	$ 1,196,846

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
OPERATING ACTIVITIES:		
Excess of revenue over expenditures	**$ 27,730**	$ 150,344
Items not involving cash:		
Amortization of capital assets	**66,894**	73,249
Amortization of deferred contributions - capital assets	**(31,596)**	(31,598)
Amortization of deferred rent	**(12,415)**	(8,655)
Change in non-cash operating working capital:		
Accounts receivable	**(128,934)**	(22,083)
Prepaid expenses	**(41,581)**	(14,180)
Accounts payable and accrued liabilities	**57,567**	2,453
Net increase in deferred contributions - future expenses	**101,951**	495,054
	39,616	644,584
CAPITAL ACTIVITIES:		
Purchase of capital assets	**(26,829)**	(17,719)
INVESTING ACTIVITIES:		
Investments, net	**250,999**	(128,334)
INCREASE IN CASH	**263,786**	498,531
CASH, beginning of year	**692,524**	193,993
CASH, end of year	**$ 956,310**	$ 692,524

See accompanying notes to financial statements

1. General:

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

A Memorandum of Understanding agreement was entered into in 2010 between the organization and the Winnipeg Chamber of Commerce for the transfer of net assets of Yes! Winnipeg. On January 1, 2011, Yes! Winnipeg became an initiative under the corporate structure of the organization.

On January 1, 2012, the organization adopted Canadian public sector accounting standards. The organization has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transition provisions in public sector accounting standards, the organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

There were no adjustments to net assets as at December 31, 2011 and January 1, 2011 or excess of revenue over expenditures for the year ended December 31, 2011 as a result of the transition to Canadian public sector accounting standards.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition:

The organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

2. *Significant accounting policies (continued):*

b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of revenue and expenditures.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of revenue and expenditures and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of revenue and expenditures.

The organization did not incur any remeasurement gains and losses during the year ended December 31, 2012 (2011 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

c) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

Asset	Rate
Computer hardware and software	2 - 3 years
Office furniture and fixtures	5 years
Leasehold improvements	over the term of the related lease

d) Deferred rent:

As part of the organization's operating premises lease, a period of free rent was incurred and is being amortized over the term of the related lease.

2. Significant accounting policies (continued):

e) Income taxes:

The organization is a not-for-profit organization under the *Income Tax Act* and, accordingly, is exempt from income taxes, providing certain requirements of the *Income Tax Act* are met.

f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Change in accounting policy:

On January 1, 2012, the organization adopted Public Accounting Standards PS 3450 - Financial Instruments. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirement for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the organization's accounting policy choices (see Note 2 - Significant accounting policies).

There were no adjustments to net assets as at January 1, 2012 as a result of the adoption of PS 3450.

4. Investments:

Investments consist of investments in money market instruments aggregating $24,446 (December 31, 2011 - $278,100; January 1, 2011 - $367,828) and guaranteed investment certificates aggregating $678,783 (December 31, 2011 - $676,128; January 1, 2011 - $458,066) to fund the contingency reserve (note 9) and other expenses. The fair value of investments has been determined using Level 1 of the fair value hierarchy.

5. Capital assets:

December 31, 2012	**Cost**	**Accumulated Amortization**	**Net Book Value**
Computer hardware and software	**$ 172,667**	**$ 153,695**	**$ 18,972**
Office furniture and fixtures	**130,165**	**110,151**	**20,014**
Leasehold improvements	**349,092**	**306,875**	**42,217**
	$ 651,924	**$ 570,721**	**$ 81,203**

December 31, 2011	Cost	Accumulated Amortization	Net Book Value
Computer hardware and software	$ 160,773	$ 136,338	$ 24,435
Office furniture and fixtures	115,230	102,675	12,555
Leasehold improvements	349,092	264,814	84,278
	$ 625,095	$ 503,827	$ 121,268

5. ***Capital assets (continued):***

January 1, 2011	Cost	Accumulated Amortization	Net Book Value
Computer hardware and software	$ 147,334	$ 115,091	$ 32,243
Office furniture and fixtures	110,949	92,733	18,216
Leasehold improvements	349,092	222,753	126,339
	$ 607,375	$ 430,577	$ 176,798

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.

	2012	2011
Balance, beginning of year	**$ 566,986**	$ 71,932
Amounts received during the year	**1,504,421**	1,671,415
	2,071,407	1,743,347
Less: amounts recognized into revenue in the year	**(1,402,470)**	(1,176,361)
Balance, end of year	**$ 668,937**	$ 566,986

Deferred contributions for future expenses are related to the following initiatives:

	December 31, 2012	December 31, 2011	January 1, 2011
Yes! Winnipeg:			
Province of Manitoba funding	**$ 135,000**	$ 135,000	$ -
Investors contributions	**473,081**	404,482	-
Team Winnipeg	**46,578**	16,483	71,932
Winnipeg Tour Connection	**14,278**	11,021	-
Balance, end of year	**$ 668,937**	$ 566,986	$ 71,932

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 revenue and expenditures.

	2012	2011
Balance, beginning of year	**$ 57,930**	$ 89,528
Amount amortized to revenue	**(31,596)**	(31,598)
Balance, end of year	**$ 26,334**	$ 57,930

8. Invested in capital assets:

		December 31, 2012		December 31, 2011		January 1, 2011
Capital assets	**$**	**81,203**	$	121,268	$	176,798
Deferred contributions - capital assets		**(26,334)**		(57,930)		(89,528)
Invested in capital assets	**$**	**54,869**	$	63,338	$	87,270

9. Internally restricted:

(a) Contingency reserve:

A contingency reserve was established to accumulate funds to be available for employee contractual obligations in the event that operating funding for the organization is terminated by the City of Winnipeg and the Province of Manitoba. As at December 31, 2012, $2,817 (December 31, 2011 - $62,703; January 1, 2011 - $30,958) was added to the contingency reserve and deducted from unrestricted net assets, based on the calculation of the contingency reserve requirement as at December 31, 2012.

(b) Yes! Winnipeg initiative reserve:

The Yes! Winnipeg initiative reserve was established by the Board of Directors during the year to internally restrict net assets of the organization for funds to be available for contractual obligations in the event that operating funding for the initiative is terminated.

10. Commitments:

The organization is committed under leases for office premises and equipment for a total of $670,564. The minimum lease payments until maturity are as follows:

2013	$	167,641
2014		167,641
2015		182,881
2016		152,401

11. Segregated funds:

The organization holds funds that are segregated for partners (including the organization) in separate accounts; a convention development fund and a special event marketing fund. These funds are held in interest-bearing accounts for the benefit of convention development and special event marketing activities, respectively. Payments to the special event marketing fund are based on recommendations approved by the City of Winnipeg's council on October 22, 2008.

The balances of these funds and the income and expenditures associated therewith are not included in these financial statements.

		December 31, 2012		December 31, 2011
Convention development fund:				
Balance, beginning of year	**$**	**87,214**	$	87,214
Funds used during the year		**(15,000)**		-
Balance, end of year, and amount of funds held	**$**	**72,214**	$	87,214

11. Segregated funds (continued):

	December 31, 2012	December 31, 2011
Special event marketing fund:		
Balance, beginning of year	**$ 1,213,782**	$ 1,109,749
Funds received during the year	**704,369**	588,601
Funds used during the year	**(198,967)**	(491,281)
Interest earned	**14,683**	6,713
Balance, end of year, and amount of funds held	**$ 1,733,867**	$ 1,213,782

At December 31, 2012, funds of $1,399,935 have been committed from the special event marketing fund towards several tourism attraction activities over the next four years as follows:

2013	$ 341,722
2014	538,713
2015	459,500
2016	60,000

12. Financial risks:

The organization has exposure to the following risks associated with its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The organization is exposed to credit risk with respect to the accounts receivable, cash and investments.

The organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the organization at December 31, 2012 is the carrying value of these assets.

At December 31, 2012 and 2011, all accounts receivable were current, there were no amounts past due.

The maximum exposure to investment credit risk is as disclosed in Note 4.

There have been no significant changes to the credit risk exposure from 2011.

(b) Liquidity risk:

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization manages liquidity risk by monitoring its operating requirements. The organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2013.

There have been no significant changes to the liquidity risk exposure from 2011.

13. Defined contribution plan:

The employees of the organization are members of a voluntary group registered retirement savings plan administered by Investors Group and RBC Asset Management Inc.

Employer contributions made to the plan during the year amounted to $93,464 (2011 - $89,979).

ECONOMIC DEVELOPMENT WINNIPEG INC.

SCHEDULE - STATEMENT OF REVENUE AND EXPENDITURES - YES! WINNIPEG

Years ended December 31, 2012 and 2011

	2012	2011
REVENUE:		
Province of Manitoba funding	**$ 135,000**	$ 135,000
Investors contributions	**1,017,891**	835,640
Interest	**-**	1,524
	1,152,891	972,164
EXPENDITURES:		
Initiatives and marketing	**219,386**	62,237
Personnel	**1,010,467**	831,179
Administrative	**95,037**	80,822
Occupancy and facilities	**1,240**	1,649
	1,326,130	975,887
DEFICIENCY OF REVENUE OVER EXPENDITURES	**$ (173,239)**	$ (3,723)

	2012
Deficiency of revenue over expenditures, before transfer from unrestricted operating net assets of the organization	**$ (173,239)**
Transfer from unrestricted operating net assets of the organization during the year ended December 31, 2012	**132,996**
Transfer from unrestricted operating net assets of the organization during the year ended December 31, 2011	**132,996**
Unrestricted Yes! Winnipeg net assets as at December 31, 2012	**$ 92,753**

Revenue and expenditures related to the Yes! Winnipeg initiative, which is included in the statement of revenue and expenditures of the organization, are presented above.

In conjunction with the transfer of net assets of Yes! Winnipeg to the organization on January 1, 2011, the Board had approved an annual transfer of $132,996 from the unrestricted operating net assets of the organization towards the operations of the Yes! Winnipeg initiative. For the year ended December 31, 2012, the organization has allocated $132,996 (2011 - $132,996) of these unrestricted operating net assets towards the operations of the Yes! Winnipeg initiative. At December 31, 2012, the Yes! Winnipeg initiative has unrestricted net assets in aggregate of $92,753 (2011 - $132,996).

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF FINANCIAL POSITION - WHRC

March 31, 2012

	2012	2011
ASSETS		
Current Assets		
Cash (Note 9)	**$ 1,287,792**	$ 903,527
Rents receivable	**17,836**	18,440
Grants receivable (Note 3)	**122,123**	212,136
Other receivables	**119,279**	167,899
Subsidy due from CMHC (Note 4)	**3,184**	3,184
Subsidy due from Manitoba Housing (Note 4)	**249,976**	262,279
Operating deficiency recoverable from Manitoba Housing (Note 5)	**-**	31,933
Prepaid expenses	**113,100**	104,578
Housing inventory (Notes 2(a) and 6)	**581,031**	863,581
	2,494,321	2,567,557
Restricted Cash and Deposits		
Replacement Reserve Fund (Notes 2(b) and 7)		
CMHC funded	**70,418**	69,080
Manitoba Housing funded	**3,671,268**	3,457,334
WHRC funded	**269,224**	253,265
	4,010,910	3,779,679
Capital Assets (Notes 2(c) and 8)	**26,925,414**	28,283,821
	$ 33,430,645	$ 34,631,057

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF FINANCIAL POSITION - WHRC (continued)

March 31, 2012

	2012	2011
LIABILITIES, RESERVES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 535,055**	$ 713,657
Accrued interest payable	**195,529**	203,996
Security deposits and prepaid rent	**249,389**	229,819
Operating excess payable to Manitoba Housing (Note 5)	**31,632**	-
Current portion of forgivable loans (Notes 2(d) and 10)	**166,986**	166,986
Current portion of long-term debt (Note 11)	**1,299,908**	1,193,937
	2,478,499	2,508,395
Deferred Revenue	**49,500**	112,900
Forgivable Loans (Notes 2(d) and 10)	**1,490,801**	1,657,788
Long-term Debt (Note 11)	**24,568,504**	25,861,609
Replacement Reserves		
Replacement Reserves - CMHC (Notes 2(b) and 7)	**70,418**	69,080
Replacement Reserves - Manitoba Housing (Notes 2(b) and 7)	**3,671,268**	3,457,334
Replacement Reserves - WHRC (Notes 2(b) and 7)	**269,224**	253,265
	4,010,910	3,779,679
WHRC Building and Acquisition Reserve (Note 12)	**1,026,482**	992,648
	33,624,696	34,913,019
UNRESTRICTED NET ASSETS (DEFICIT)	**(194,051)**	(281,962)
	$ 33,430,645	$ 34,631,057

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF CHANGES IN NET ASSETS - WHRC

Year ended March 31, 2012

		2012		2011
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, CMHC PROPERTIES	**$**	**6,767**	$	(3,006)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, MANITOBA HOUSING PROPERTIES		**31,632**		(31,933)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, WHRC RENTAL AND DEVELOPMENT		**32,451**		(3,986)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, WHRC HEAD OFFICE		**48,693**		100,369
EXCESS OF REVENUE OVER EXPENSES		**119,543**		61,444
UNRESTRICTED NET ASSETS (DEFICIT), BEGINNING OF YEAR		**(281,962)**		(375,339)
OPERATING (SURPLUS) DEFICIENCY (PAYABLE TO) RECOVERABLE FROM MANITOBA HOUSING (Note 5)		**(31,632)**		31,933
UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR	**$**	**(194,051)**	$	(281,962)

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF OPERATIONS - WHRC

Year ended March 31, 2012

	2012	2011
REVENUE		
Rental revenue		
Residential	**$ 2,851,430**	$ 2,767,485
Commercial	**55,102**	54,619
Manitoba Housing subsidy (Note 4)	**3,788,524**	3,824,755
Property management fees	**442,399**	418,949
City of Winnipeg operating grant	**200,000**	200,000
Development fees	**59,442**	121,495
Parking and laundry	**70,699**	73,888
CMHC subsidy (Note 4)	**38,207**	38,207
Home Ownership Training Initiative grant	**63,234**	27,220
Other grants	**22,386**	23,384
BCI-RNB Administration fees	**37,500**	-
Interest and other income	**27,266**	22,635
	7,656,189	7,572,637
EXPENSES		
Administration	**314,112**	295,309
Allocation to Replacement Reserve (Note 7)	**332,182**	304,532
Amortization (Note 2(c))	**1,199,415**	1,111,754
Bad debts	**28,828**	32,624
Bank charges and other interest	**3,427**	3,055
Cable T.V.	**832**	789
Collection fees	**2,128**	3,870
Garbage removal	**14,696**	10,706
Home Ownership Training Initiative	**63,234**	27,220
Insurance	**123,525**	115,492
Janitorial services	**277,117**	266,136
Lot development	**-**	290
Maintenance and repairs (Note 7)	**699,051**	713,053
Mortgage interest (Note 11)	**2,356,334**	2,448,459
Office operations	**100,033**	83,383
Office salaries and benefits	**579,086**	551,856
Professional fees	**62,391**	74,514
Property taxes	**386,016**	449,980
Snow removal	**9,063**	18,410
Electricity	**332,098**	328,654
Natural gas	**171,149**	240,566
Water	**481,929**	430,541
	7,536,646	7,511,193
EXCESS OF REVENUE OVER EXPENSES	**$ 119,543**	$ 61,444

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF CASH FLOW - WHRC

Year ended March 31, 2012

	2012	2011
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 119,543**	$ 61,444
Add non cash items:		
Amortization	**1,199,415**	1,111,754
	1,318,958	1,173,198
Change in non-cash working capital:		
Rents receivable	**604**	4,299
Grants receivable	**90,013**	(160,166)
Other receivables	**48,620**	(25,979)
GST receivable	**-**	(29,952)
Subsidy due from Manitoba Housing	**12,303**	(8,393)
Prepaid expenses	**(8,522)**	144
Housing inventory	**282,550**	(780,109)
Accounts payable and accrued liabilities	**(178,602)**	246,516
Accrued interest payable	**(8,467)**	(8,102)
Security deposits and prepaid rent	**19,570**	27,152
Deferred revenue	**(63,400)**	112,900
	1,513,627	551,508
INVESTING ACTIVITIES		
Purchase of capital assets	**(1,270)**	(57,790)
Increase in Manitoba Housing replacement reserve	**213,934**	134,059
Increase (decrease) in CMHC replacement reserve	**1,338**	(34,339)
Increase in WHRC replacement reserve	**15,959**	24,301
Increase in WHRC building and acquisition reserve	**33,834**	15,725
	263,795	81,956
FINANCING ACTIVITIES		
Increase (decrease) in forgivable loans	**(6,724)**	(6,724)
Repayment of long-term debt	**(1,187,135)**	(1,103,983)
Manitoba Housing recoveries	**31,933**	(50,678)
	(1,161,926)	(1,161,385)
INCREASE (DECREASE) IN CASH	**615,496**	(527,921)
CASH, BEGINNING OF YEAR	**4,683,206**	5,211,127
CASH, END OF YEAR (NOTE 13)	**$ 5,298,702**	$ 4,683,206

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2012

1. Accounting Entity

The corporation is engaged in providing affordable housing in the Core Area of Winnipeg. The corporation is mandated by the City of Winnipeg, but receives assistance by way of government sponsorship through Canada Mortgage and Housing Corporation (CMHC) and Manitoba Housing. The corporation's activities include a property management head office, management of individual properties and a housing development program. The corporation is not taxable under section 149 of the Income Tax Act.

For GST purposes, the corporation is designated as a municipality and is able to recover 100% of the GST paid.

2. Significant Accounting Policies

The financial statements of the corporation have been prepared solely for the information and use of CMHC and Manitoba Housing to comply with each of their operating agreements. The corporation follows certain accounting principles as determined by CMHC and Manitoba Housing for administration and funding purposes in recording expenses.

a) Housing Inventory

Housing inventory is recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. No amortization is being taken on the housing inventory. These buildings are construction in progress.

b) Replacement Reserve Fund

The Replacement Reserve Fund accounts are maintained to provide for future asset replacement. The accounts are established by an annual charge against operations. Interest earned is added and replacement costs are charged directly against the accumulated reserves.

c) Capital Assets

Capital assets are recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. Government grants received to assist in the development of rental properties are applied against the capital cost of the respective property. Interest expense, project costs and rental revenue, incurred prior to the determined interest adjustment date, are applied towards the capital cost of the property. Furniture and equipment costing less than $1,000 are expensed. Options and feasibility studies are added to the cost of acquired property or expensed if the property is not acquired. Any forgivable loans received are charged against the capital cost of the property.

2. Significant Accounting Policies (continued)

Amortization is provided for as follows:

Computer equipment	- straight-line over three years
Furniture and equipment	- straight-line over five years
Rental properties	- an amount equal to the principal reduction of the mortgage, in accordance with the requirements of the organization's funding bodies
General	- a replacement reserve is maintained to provide for future asset replacement

d) Forgivable Loans

The corporation receives funding from different organizations. These loans are to be forgiven over 15 years from the completion date of the property.

e) Revenue Recognition

The corporation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectability is reasonably assured.

Rental, parking and laundry revenue and property management fees are recognized over the term of the lease.

3. Grants Receivable

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

	2012	2011
Infill Housing Project		
AHI Province of Manitoba	**$ 106,123**	$ 8,905
City of Winnipeg	**16,000**	203,231
	$ 122,123	$ 212,136

4. Subsidy Due from CMHC and Manitoba Housing

The CMHC properties are subsidized for mortgage interest on a monthly basis through the reduction of the interest rates from market to 2%, in order to provide housing to low income individuals. The Manitoba Housing properties are subsidized for mortgage interest and property taxes on a monthly basis.

5. Operating Deficiency Recoverable from (Excess Payable To) Manitoba Housing

Pursuant to the current operating agreement with Manitoba Housing, and the agreements with CMHC which expired March 31, 1999, on a cumulative basis for each portfolio of properties, any excess funding provided to the corporation is to be repaid. Where a cumulative deficiency exists for Manitoba Housing properties, the shortfall is the responsibility of Manitoba Housing subject to Manitoba Housing approval of project costs.

	2012	2011
Operating deficiency recoverable from (excess payable to) Manitoba Housing	**$ (31,632)**	$ 31,933

6. Housing Inventory

The corporation has undertaken projects to acquire property and develop housing in the Spence, Centennial, and North End neighbourhoods. The allocation is as follows:

	2012	2011
Spence		
419 Sherbrook Street	**$ 6,724**	$ 8,966
663 Furby Street	**6,724**	8,965
452 Langside Street	**6,724**	8,965
851 Furby Street	**-**	144,333
	20,172	171,229
Centennial		
422/426 Ross Avenue	**50,096**	-
North End		
541/545 William Avenue	**-**	179,967
186/188 Syndicate Street	**-**	(28,580)
168 Austin Street	**-**	(29,380)
376 Ross Avenue	**-**	(14,717)
428 Alfred Avenue	**-**	(3,690)
444 Alfred Avenue	**-**	(121)
452 Aberdeen Avenue	**-**	(2,195)
465 Alfred Avenue	**-**	(4,956)
479 Burrows Avenue	**-**	(7,717)
612 William Avenue	**-**	143,271
98 Lorne Avenue	**-**	(8,127)
138 Argyle Street	**710**	686
149 Selkirk Avenue	**-**	1,656
152 Pritchard Avenue	**-**	14,147
381 Manitoba Avenue	**(1,000)**	65,788
42 Ross Avenue	**-**	18,227
497 Magnus Avenue	**(1,000)**	56,384
499 Magnus Avenue	**(1,000)**	58,011
611 Magnus Avenue	**(1,000)**	87,586
643 Aberdeen Avenue	**-**	75,751
645 Aberdeen Avenue	**-**	76,630
662 Aberdeen Avenue	**-**	13,731
268 Pritchard Avenue	**106,771**	-
276 Manitoba Avenue	**863**	-
278 Manitoba Avenue	**862**	-
301 Burrows Avenue	**92,707**	-
307 Austin Street	**19,581**	-
311 Austin Street	**19,082**	-
319 Aberdeen Avenue	**1,039**	-
360 Pritchard Avenue	**76,545**	-
394 Alfred Avenue	**1,024**	-
419 Alfred Avenue	**1,006**	-
456 Burrows Avenue	**90,443**	-
592 Magnus Avenue	**102,118**	-
619 Aberdeen	**1,006**	-
637 Aberdeen Avenue	**1,006**	-
	510,763	692,352
	$ 581,031	$ 863,581

7. Replacement Reserve Fund

Under the terms of the agreements with CMHC/Manitoba Housing, the Replacement Reserve account is to be credited with an annual charge against earnings. These funds along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC/Manitoba Housing from time to time. The funds in the account may only be used as approved by CMHC/Manitoba Housing. Withdrawals are credited to interest first and then principal.

	2012	2011
Allocation		
Annual charge	**$ 332,182**	$ 304,532
Year end balance		
Cash	**$ 215,480**	$ 438,328
Canadian Treasury Bills, Bonds and Guaranteed Investment Certificates	**3,795,430**	3,341,351
	$ 4,010,910	$ 3,779,679

8. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Rental properties	**$ 39,474,569**	**$ 12,589,858**	$ 39,634,832	$ 11,402,724
Furniture and equipment	**260,803**	**220,100**	259,532	207,819
	$ 39,735,372	**$ 12,809,958**	$ 39,894,364	$ 11,610,543
Net book value	**$ 26,925,414**		$ 28,283,821	

9. Cash and Line of Credit

The corporation has a line of credit with the Assiniboine Credit Union with an approved maximum of $1,800,000 which is due on demand and bears interest at the Credit Union's prime rate, payable monthly. This line of credit is secured by a $2,000,000 guarantee by the City of Winnipeg. Included in cash, the corporation has utilized $585,421 of this line of credit as at March 31, 2012 (2011 - $764,221).

10. Forgivable Loans

	2012	2011
Forgivable loans	**$ 1,657,787**	$ 1,824,774
Less: current portion	**166,986**	166,986
	$ 1,490,801	$ 1,657,788

WHRC has entered into various forgivable loan agreements with Manitoba Housing under various programs. These loans are forgivable over a periods of five, ten or fifteen years (depending on agreement), in equal monthly amounts, commencing from the date of execution of the agreement. In the event a housing unit is sold or otherwise transferred before the entire loan is forgiven, any unforgiven portion shall become payable to Manitoba Housing.

10. Forgivable Loans (continued)

The loans will be forgiven for the years ended as follows:

March 31,	2013	$	166,986
	2014		166,986
	2015		166,986
	2016		160,262
	2017		155,333
	Thereafter		841,234
		$	1,657,787

11. Long-Term Debt

Lender	Interest Rate	Maturity Dates	2012	2011
Assiniboine Credit Union	2.75% - 6.50%	2013-2029	**$ 277,672**	$ 289,844
TD Canada Trust	5.10%	2017	**764,170**	784,533
Canada Mortgage Housing Corporation	4.52% - 5.50%	2017-2021	**3,888,754**	4,171,225
Manitoba Housing	6.63% - 12.50%	-	**20,937,816**	21,809,944
			25,868,412	27,055,546
Less: current portion			**1,299,908**	1,193,937
			$ 24,568,504	$ 25,861,609

All mortgages are secured by a charge registered against the properties.

Although some of the mortgages may become due within the next fiscal period, these mortgages have not been shown as current as they are expected to be refinanced on similar terms when they come due.

The principal portion of long-term debt is repayable for the years ended as follows:

March 31,	2013	$	1,299,908
	2014		1,417,601
	2015		1,547,168
	2016		1,680,519
	2017		1,811,058
	Thereafter		17,016,286
	CMHC second mortgages		1,095,872
		$	25,868,412

12. WHRC Building and Acquisition Reserve

The WHRC building and acquisition reserve consists of the net gains/losses on buildings that were sold, the accumulated operation surplus/deficits of those buildings and the realized gain on forgivable loans. These funds are restricted for use acquiring or building properties and adding them to WHRC's rental portfolio.

13. Additional Information to Cash Flow Statement

		2012		2011
Cash represented by:				
Cash	**$**	**1,287,792**	$	903,527
Restricted cash and deposits		**4,010,910**		3,779,679
	$	**5,298,702**	$	4,683,206
Interest received	**$**	**163,571**	$	121,492
Interest paid		**2,365,783**		2,465,311

14. Income Testing

The corporation has requested and obtained evidence of the income of tenants paying rent according to the rent-to-income scale as required by sub-paragraph 2(S) of the Operating Agreement with CMHC and Manitoba Housing.

The corporation has applied a rent-to-income ratio for those leases in accordance with sub-paragraph 2(S) of the Operating Agreement.

The corporation has adjusted the rental charge for rent-to-income leases in accordance with sub-paragraph 2(S) of the Operating Agreement.

15. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods presented. Actual results could differ from these estimates.

16. Financial Instruments

The corporation has designated all of its financial instruments as held-for-trading which means that they are measured at fair value with gains or losses recognized in operations with the exception of the WHRC Rental and Development long-term debt which is classified as other liabilities and recorded at amortized cost. Due to the short-term nature of the following financial instruments held by the corporation, including cash, rents receivable, grants receivable, other receivables, subsidy due from CMHC, subsidy due from Manitoba Housing, operating deficiency recoverable from Manitoba Housing, restricted cash and deposits, accounts payable and accrued liabilities and accrued interest payable, the carrying values as presented in the financial statements are reasonable estimates of fair value. The carrying value of the long-term debt at the balance sheet date approximates the fair market value as represented by the present value of future cash flows given that the interest rate risk is protected by agreements with CMHC and Manitoba Housing. The carrying value of the WHRC Rental and Development long-term debt at the balance sheet date approximates the fair market value as represented by the present value of future cash flows. The carrying value of the forgivable loans approximates fair market value as management intends to fulfill the requirements of the loan forgiveness. It is management's opinion that the corporation is not exposed to significant interest rate, currency or credit risk arising from any of its financial instruments.

17. Comparative Figures

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

PHOTO: AJ Batac

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

		2012		2011
ASSETS				
Cash	**$**	**373,314**	$	91,456
Accounts receivable (Note 3)		**791,276**		-
Due from City of Winnipeg (Note 4)		**-**		733,389
	$	**1,164,590**	$	824,845
LIABILITIES				
Due to City of Winnipeg - General Revenue Fund (Note 5)	**$**	**880,474**	$	274,226
Debt (Note 6)		**423,635**		706,083
Accounts payable and accrued liabilities		**-**		4,600
		1,304,109		984,909
CAPITAL DEFICIENCY		**(139,519)**		(160,064)
	$	**1,164,590**	$	824,845

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN CAPITAL DEFICIENCY

For the years ended December 31
(unaudited)

	2012	2011
REVENUES		
Entertainment funding tax - Winnipeg Football Club (Note 3)	**$ 741,538**	$ 803,620
Interest (Note 3)	**49,738**	-
Other	**4,600**	-
	795,876	803,620
EXPENSES		
Write-off of long-term receivable (Note 4)	**733,389**	733,390
Interest on debt and other finance charges	**41,588**	61,527
Professional fees	**354**	300
Write-down of long-term receivable (Note 4)	**-**	1,772,357
	775,331	2,567,574
NET INCOME (LOSS) FOR THE YEAR	**20,545**	(1,763,954)
(CAPITAL DEFICIENCY) NET ASSETS - BEGINNING OF YEAR	**(160,064)**	1,603,890
CAPITAL DEFICIENCY - END OF YEAR	**$ (139,519)**	$ (160,064)

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012
(unaudited)

1. Entity Definition and Wind-Up of Operations

Winnipeg Enterprises Corporation ("the Corporation") is a not-for-profit organization established by the Winnipeg Enterprises Corporation Incorporation Act on July 26, 1952 under the laws of the Province of Manitoba. As at March 31, 2005, the Corporation has wound-down its operations and is being managed by The City of Winnipeg ("the City"), its sole director. The City has assumed all remaining and prospective debt and liabilities of the Corporation.

2. Significant Accounting Policies

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

Financial instruments

Financial instruments include cash, accounts receivable, due to City of Winnipeg - General Revenue Fund, debt and an interest rate swap on the debt. Unless otherwise stated, the book value of the Corporation's financial assets and liabilities approximates their fair value. It is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments except as per Note 6.

The Corporation uses interest rate swap contracts to manage interest rate risk on its floating rate debt. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest expense on a basis which matches the related fluctuations in the interest payments under floating rate debt.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from these estimates.

3. Entertainment Funding Tax - Winnipeg Football Club

On May 18, 2005, City Council approved the amendment to the Canad Inns Stadium lease with the Corporation. The amendment included a provision which allows the City to use the entertainment funding tax, which relates to one pre-season game and nine regular season games, to first repay the remaining amount invested by the Corporation in the Winnipeg Football Club ("WFC") by way of income debentures totalling $1,194,000. This has been repaid in its entirety. Thereafter, this entertainment funding tax will be used to reduce the debt in the Corporation associated with WFC, which totalled approximately $3,265,244 as at December 31, 2004. The unamortized amount of this debt, based on an interest rate of 5% net of the entertainment funding tax applied against the debt, as at December 31, 2012 is $1,021,913 (2011 - $972,175).

3. Entertainment Funding Tax - Winnipeg Football Club (continued)

On December 15, 2010, City Council approved an amendment to the Economic Development Initiative for the re-development of the existing Stadium site and the new Stadium development at the University of Manitoba. All the entertainment funding tax remitted to the City in relation to the new Stadium will be used to repay this debt. Once the debt has been repaid, the entertainment funding tax on regular season and exhibition Blue Bomber football games will be used as follows:

- The first $2.0 million shall be paid by WFC to BBB Stadium Inc. ("BBB") to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC;
- The next $0.5 million shall be paid by WFC to BBB to be applied by BBB to a Stadium Capital Fund; and
- The balance, if any, shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC.

On December 12, 2012, City Council approved the request by the WFC to defer and retain future entertainment funding tax payments commencing in 2012 for five years. The outstanding debt including the accrued interest is to be repaid by the end of 2017. The 2012 entertainment funding taxes retained from the one pre-season game and nine regular season games, along with accrued interest, have been recorded as accounts receivable.

4. Due from City of Winnipeg

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

A new stadium is being constructed at the University of Manitoba and is scheduled to open in 2013. The City has approved re-development of the existing Stadium site (Note 3) with no residual value expected to accrue to the benefit of the Corporation. Therefore, the capital assets were previously written-down.

5. Due to City of Winnipeg - General Revenue Fund

The City operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2012 effective interest rate was 0.9% (2011 - 0.9%).

6. Debt

	2012	2011
Demand loan (credit facility A); bearing interest at a swap rate of 5.94% per annum until May 30, 2014; after which bears interest at prime; repayable in quarterly installments of $70,833 plus interest	**$ 423,635**	$ 706,083

Credit facility A is secured by a limited guarantee from the City of Winnipeg of $7,650,000.

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	December 31 2012	December 31 2011	January 1 2011
ASSETS			
Current Assets			
Cash and bank (Note 3)	**$ -**	$ 142,526	$ -
Restricted cash (Note 4)	**-**	1,762	37,620
Cash held in trust	**6,785,000**	-	-
Accounts receivable (Note 5)	**1,505,921**	1,537,379	4,114,442
Prepaid expenses	**9,924**	9,206	11,106
Property held for resale (Note 6)	**1,036,674**	2,495,733	2,785,242
Current portion of mortgages receivable (Note 7)	**898,342**	752,511	693,957
Current portion of loans receivable (Note 8)	**3,310,176**	1,025,823	1,014,847
	13,546,037	5,964,940	8,657,214
Mortgages receivable (Note 7)	**2,331,302**	2,903,993	928,594
Loans receivable (Note 8)	**2,863,325**	3,802,345	3,069,971
Investment in government business (Note 9)	**89**	-	-
Capital assets (Note 10)	**9,139,726**	9,777,167	5,398,819
	$ 27,880,479	$ 22,448,445	$ 18,054,598
LIABILITIES AND NET ASSETS			
Current Liabilities			
Bank indebtedness (Note 3)	**$ 6,827,488**	**$** -	$ 482,383
Accounts payable and accrued liabilities	**645,808**	490,825	634,976
Deferred grant revenue (Note 11)	**676,254**	679,794	746,617
Holdbacks payable	**-**	1,762	37,620
Current portion of long-term debt (Note 12)	**162,741**	155,737	148,908
	8,312,291	1,328,118	2,050,504
Long-term debt (Note 12)	**4,128,952**	4,291,440	4,449,880
Deferred government assistance (Note 13)	**6,157,847**	6,610,394	764,477
	18,599,090	12,229,952	7,264,861
Commitments and contingencies (Note 14)			
NET ASSETS			
Invested in capital assets (Note 15)	**1,033,829**	1,194,219	1,138,137
General	**97,000**	97,000	97,000
Urban Development Bank	**8,150,560**	8,927,274	9,554,600
	9,281,389	10,218,493	10,789,737
	$ 27,880,479	**$** 22,448,445	$ 18,054,598

Subsequent event (Note 18)

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	Invested in Capital Assets	**General**	**Urban Development Bank**	**2012**
Balance, beginning of year	**$ 1,194,219**	**$ 97,000**	**$ 8,927,274**	**$ 10,218,493**
Excess (deficiency) of revenue over expenditures for the year	**(207,427)**	**31,352**	**(761,029)**	**(937,104)**
Fund transfers	**-**	**(31,352)**	**31,352**	**-**
Net change in invested in capital assets	**47,037**	**-**	**(47,037)**	**-**
Balance, end of year	**$ 1,033,829**	**$ 97,000**	**$ 8,150,560**	**$ 9,281,389**

	Invested in Capital Assets	General	Urban Development Bank	2011
Balance, beginning of year	$ 1,138,137	$ 97,000	$ 9,554,600	$ 10,789,737
Excess (deficiency) of revenue over expenditures for the year	(164,809)	33,849	(440,284)	(571,244)
Fund transfers	-	(33,849)	33,849	-
Net change in invested in capital assets	220,891	-	(220,891)	-
Balance, end of year	$ 1,194,219	$ 97,000	$ 8,927,274	$ 10,218,493

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31

	General	Urban Development Bank	2012
Revenue			
Grant			
City of Winnipeg	$ 300,000	$ -	$ 300,000
Province of Manitoba	-	52,710	52,710
Designated grants	-	747,865	747,865
Interest	494,477	-	494,477
Commissions and development fees	59,707	-	59,707
Rental	28,000	630,139	658,139
Sale of properties	-	1,525,000	1,525,000
Other	-	139,978	139,978
	882,184	3,095,692	3,977,876
Expenditures			
Administration	700,194	2,180	702,374
Amortization	34,300	625,674	659,974
Bank charges and interest	1,974	217	2,191
Interests on long-term debt	-	90,277	90,277
Cost of properties	-	1,911,943	1,911,943
Grants paid out			
Designated revenues	-	280,406	280,406
Insurance	9,655	16,205	25,860
Office	78,726	-	78,726
Professional fees			
Contract management	-	210,400	210,400
IT and other	11,255	-	11,255
Accounting, legal and transaction costs	20,432	446,336	466,768
Marketing	28,596	20,295	48,891
Project development	-	33,384	33,384
Property rental	-	345,065	345,065
Bad debt	-	35,466	35,466
Community investment	-	12,000	12,000
	885,132	4,029,848	4,914,980
Deficiency of revenue over expenditures for the year	$ (2,948)	$ (934,156)	$ (937,104)
Allocated to:			
General	$ 31,352	$ -	$ 31,352
Urban Development Bank	-	(761,029)	(761,029)
Invested in capital assets	(34,300)	(173,127)	(207,427)
Deficiency of revenue over expenditures for the year	$ (2,948)	$ (934,156)	$ (937,104)

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31

	General	Urban Development Bank	2011
Revenue			
Grant			
City of Winnipeg	$ 293,156	$ -	$ 293,156
Province of Manitoba	-	51,000	51,000
Designated grants	-	589,312	589,312
Interest	468,691	-	468,691
Commissions and development fees	81,781	65	81,846
Rental	24,000	522,281	546,281
Sale of properties	-	891,325	891,325
	867,628	2,053,983	2,921,611
Expenditures			
Administration	663,286	1,964	665,250
Amortization	33,070	272,017	305,087
Bank charges and interest	1,567	208	1,775
Interests on long-term debt	-	91,129	91,129
Cost of properties	-	643,118	643,118
Grants paid out			
Designated revenues	-	433,333	433,333
Insurance	8,531	14,182	22,713
Office	80,237	-	80,237
Professional fees			
Contract management	-	103,806	103,806
IT and other	18,143	-	18,143
Accounting, legal and transaction costs	37,438	108,777	146,215
Marketing	24,577	5,408	29,985
Project development	-	230,893	230,893
Property rental	-	211,671	211,671
Community investment	-	509,500	509,500
	866,849	2,626,006	3,492,855
Deficiency of revenue over expenditures for the year	$ 779	$ (572,023)	$ (571,244)
Allocated to:			
General	$ 33,849	$ -	$ 33,849
Urban Development Bank	-	(440,284)	(440,284)
Invested in capital assets	(33,070)	(131,739)	(164,809)
Deficiency of revenue over expenditures for the year	$ 779	$ (572,023)	$ (571,244)

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for the year	**$ (937,104)**	$ (571,244)
Adjustments for		
Amortization of capital assets	**659,974**	305,087
Accrued interest on mortgages	**1,687**	197
Accrued interest on loans receivable	**(6,961)**	1,545
Bad debt expense	**35,466**	-
	(246,938)	(264,415)
Changes in non-cash working capital balances		
Accounts receivable	**31,458**	2,577,063
Prepaid expenses	**(718)**	1,900
Property held for resale	**1,459,059**	289,509
Accounts payable and accrued liabilities	**154,983**	(144,151)
Holdbacks payable	**(1,762)**	(35,858)
Deferred grant revenue	**(3,540)**	(66,823)
Deferred government assistance	**(452,547)**	5,845,917
	1,186,933	8,467,557
	939,995	8,203,142
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	**(22,534)**	(4,683,436)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances of mortgages receivable	**(1,497,192)**	(2,077,632)
Receipts from mortgages receivable	**1,922,277**	43,485
Advances of loans receivable	**(2,075,118)**	(1,346,500)
Receipts from loans receivable	**701,280**	601,602
	(948,753)	(2,779,045)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	**(155,484)**	(151,610)
(Decrease) increase in cash and cash equivalents during the year	**(186,776)**	589,051
Cash and cash equivalents, beginning of year	**144,288**	(444,763)
Cash and cash equivalents, end of year	**$ (42,488)**	$ 144,288
Comprised of		
Cash and bank	**$ -**	$ 142,526
Bank indebtedness	**(6,827,488)**	-
Restricted cash	**-**	1,762
Cash held in trust	**6,785,000**	-
	$ (42,488)	$ 144,288

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

1. *Summary of Significant Accounting Policies*

a. Management's Responsibility for the Financial Statements

These consolidated financial statements of CentreVenture Development Corporation ("corporation") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board.

b. Nature and Purpose of the Corporation

CentreVenture Development Corporation is a non-profit organization incorporated without share capital under the laws of Manitoba on July 9, 1999. The goal of the corporation is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg. The corporation is exempt from income tax by virtue of p. 149(1)(e) of the Income Tax Act. The corporation files a corporate tax return and a non-profit organization information return annually as required by the Canada Revenue Agency.

c. Basis of Consolidation

These consolidated financial statements include the accounts of CentreVenture Development Corporation, its wholly-owned subsidiaries Centre Village Housing Inc. and BellMain Residences Inc., which operate under common management. Intra-company and inter-company transactions and balances have been eliminated upon consolidation.

The investment in StR Properties Inc. is reported as government business enterprise and accounted for using the modified equity method. Under this method, the government business accounting principles are not adjusted to conform with those of the corporation and inter-company transactions are not eliminated.

d. Basis of Financial Presentation

The corporation records its financial transactions on the deferred fund accounting basis as follows:

General

General includes transactions related to general operations and administration of the corporation.

Urban Development Bank

The Urban Development Bank was initiated in 1999 through a contribution by the City of Winnipeg. Funds are intended to enable CentreVenture Development Corporation to facilitate economic development initiatives with private and non-profit sectors and provide creative financing options to encourage downtown investment. The assets of the Urban Development Bank are invested in loans, receivables and property held for development.

The Urban Development Bank funds, as defined by Board policy, shall not be used to fund the day-to-day operations of the corporation. The Urban Development Bank is funded by various levels of government and other funding organizations.

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

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, restricted cash and cash held in trust.

f. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Restricted cash, bank indebtedness and cash held in trust have been designated to be in the fair value category. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost. Due to the nature of the financial instruments held by CentreVenture Development Corporation, there are no unrealized gains or losses, and therefore a statements of remeasurement gains and losses are not required for these financial statements.

g. Revenue Recognition

CentreVenture Development Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income and rental revenue is recognized on an accrual basis consistent with the terms of the related mortgages and agreements and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions.

Sale proceeds on properties and the related cost of properties are recognized when the risks and rewards of ownership are transferred to the purchaser and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions. A transaction fee is levied by the corporation on these sales.

h. Special Projects - Restricted Funding Arrangements

In addition to regular operating revenues, CentreVenture Development Corporation receives grants from time to time for specific programs or initiatives to be administered by CentreVenture Development Corporation which are accounted for through the Urban Development Bank. The following special funding arrangements were ongoing during the year:

<u>Province of Manitoba: North Main Economic Development Program Grant</u>

The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

<u>City of Winnipeg: Downtown Housing Strategy</u>

The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

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

City of Winnipeg: Gail Parvin Hammerquist

The purpose of these grants is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

i. Mortgages and Loans Receivable

Mortgages and loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Amounts considered uncollectible are written-off in the year in which the uncollectible amount is determined. Recoveries on mortgages and loans previously written-off are taken into income in the year the income is received.

j. Allowance for Doubtful Loans

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the corporation's portfolio. The allowance is evaluated on an ongoing basis and increased as deemed necessary, which is charged against income and is reduced by write-offs.

k. Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided for on a straight-line basis in accordance with the following estimated useful life of the assets:

Buildings	25 years
Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	3 years

l. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. *First-time Adoption*

Effective January 1, 2012, the corporation adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for NPOs). These are the corporation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of January 1, 2011.

2. *First-time Adoption (continued)*

The corporation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards.

The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for NPOs.

Statement of Financial Position as at January 1, 2011 - Transition Date

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB for NPOs
Assets				
Restricted cash		$ 37,620	$ -	$ 37,620
Accounts receivable		4,114,442	-	4,114,442
Prepaid expenses		11,106	-	11,106
Property held for resale		2,785,242	-	2,785,242
Current portion of mortgages receivable		693,957	-	693,957
Current portion of loans receivable		1,014,847	-	1,014,847
Mortgages receivable		928,594	-	928,594
Loans receivable		3,069,971	-	3,069,971
Capital assets	(i)	4,634,342	764,477	5,398,819
		$ 17,290,121	$ 764,477	$ 18,054,598
Liabilities				
Bank indebtedness		$ 482,383	$ -	$ 482,383
Accounts payable and accrued liabilities		634,976	-	634,976
Deferred government assistance	(i)	-	764,477	764,477
Deferred grant revenue		746,617	-	746,617
Holdbacks payable		37,620	-	37,620
Current portion of long-term debt		148,908	-	148,908
Long-term debt		4,449,880	-	4,449,880
		6,500,384	764,477	7,264,861
Net Assets				
Invested in capital assets		1,138,137	-	1,138,137
General		97,000	-	97,000
Urban Development Bank		9,554,600	-	9,554,600
		$ 17,290,121	$ 764,477	$ 18,054,598

2. *First-time Adoption (continued)*

Statement of Financial Position as at December 31, 2011

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB for NPOs
Assets				
Cash and bank		$ 142,526	$ -	$ 142,526
Restricted cash		1,762	-	1,762
Accounts receivable		1,537,379	-	1,537,379
Prepaid expenses		9,206	-	9,206
Property held for resale		2,495,733	-	2,495,733
Current portion of mortgages receivable		752,511	-	752,511
Current portion of loans receivable		1,025,823	-	1,025,823
Mortgages receivable		2,903,993	-	2,903,993
Loans receivable		3,802,345	-	3,802,345
Capital assets	(i)	3,166,773	6,610,394	9,777,167
		$ 15,838,051	$ 6,610,394	$ 22,448,445
Liabilities				
Accounts payable and accrued liabilities		$ 490,825	$ -	$ 490,825
Deferred government assistance	(i)	-	6,610,394	6,610,394
Deferred grant revenue		679,794	-	679,794
Holdbacks payable		1,762	-	1,762
Current portion of long-term debt		155,737	-	155,737
Long-term debt		4,291,440	-	4,291,440
		5,619,558	6,610,394	12,229,952
Net Assets				
Invested in capital assets		1,194,219	-	1,194,219
General		97,000	-	97,000
Urban Development Bank		8,927,274	-	8,927,274
		$ 15,838,051	$ 6,610,394	$ 22,448,445

2. *First-time Adoption (continued)*

Statement of Operations for the Year ended December 31, 2011

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB for NPOs
Revenue				
Grant				
City of Winnipeg		$ 293,156	$ -	$ 293,156
Province of Manitoba		51,000	-	51,000
Designated grants	(ii)	449,034	140,278	589,312
Interest		468,691	-	468,691
Commissions and development fees		81,846	-	81,846
Rental		546,281	-	546,281
Sale of properties		891,325	-	891,325
		2,781,333	140,278	2,921,611
Expenditures				
Administration		665,250	-	665,250
Amortization	(ii)	164,809	140,278	305,087
Bank charges and interest		1,775	-	1,775
Interest on long-term debt		91,129	-	91,129
Cost of properties		643,118	-	643,118
Designated revenues		433,333	-	433,333
Insurance		22,713	-	22,713
Office		80,237	-	80,237
Contract management		103,806	-	103,806
IT and other		18,143	-	18,143
Accounting, legal and transaction costs		146,215	-	146,215
Marketing		29,985	-	29,985
Project development		230,893	-	230,893
Property rental		211,671	-	211,671
Community investment		509,500	-	509,500
		3,352,577	140,278	3,492,855
Deficiency of revenue over expenditures for the year		$ (571,244)	$ -	$ (571,244)

2. *First-time Adoption (continued)*

Statement of Cash Flows for the Year ended December 31, 2011

	Sub-note (iii)	Pre-changeover Canadian GAAP	Adjustments	PSAB for NPOs
Cash flows from operating activities	(a), (b)	$ 2,216,947	$ 5,986,195	$ 8,203,142
Cash flows from capital activities	(b)	-	(4,683,436)	(4,683,436)
Cash flows from investing activities	(b)	(7,679,500)	4,900,455	(2,779,045)
Cash flows from financing activities	(b)	6,051,604	(6,203,214)	(151,610)
Net increase in cash and cash equivalents		589,051	-	589,051
Cash and cash equivalents, beginning of year		(444,763)	-	(444,763)
Cash and cash equivalents, end of year		$ 144,288	$ -	$ 144,288

Explanations for the adjustments are as follows:

(i) Capital assets

Under pre-changeover Canadian GAAP the Corporation presented the cost of capital assets net of government assistance received from various levels of government. PSAB for NPOs does not allow that capital grants be netted against the cost of the related tangible capital asset. Capital grants are now presented as deferred government assistance and amortized to income based on the terms of the forgivable loans. As a result an increase of $764,477 at January 1, 2011 (increase of $6,610,394 at December 31, 2011) was required to capital assets. Deferred government assistance in the amount of $764,477 at January 1, 2011 ($6,610,394 at December 31, 2011) was also recognized in accordance with PSAB for NPOs.

(ii) Designated grants and amortization

As a result of a change in accounting policy for capital assets, $140,278 from deferred government assistance was amortized into revenue at December 31, 2011, and the same amount as amortization expenditure.

(iii) Statement of Cash Flows

a) The change in deficiency of revenues over expenditures for the year ended December 31, 2011 has been offset by adjustments to grants and amortization.

b) Net increase in deferred government assistance of $5,845,917 has been presented as operating activities instead of investing and financing activities.

2. First-time Adoption (continued)

Financial Instruments

On January 1, 2011, the corporation early adopted the Public Sector Accounting Handbook Section 3450 - Financial Instruments, and 1201 - Financial Statement Presentation. The new standards address the classification, recognition and measurement of financial instruments and is effective for years beginning on or after January 1, 2012, however, early adoption is permitted. The accounting change did not result in any adjustments. These sections have been applied prospectively; as a result, comparative amounts are presented in accordance with the accounting policies applied by the NPO immediately preceding its adoption of PSAB for NPOs.

3. Cash and Bank/Bank Indebtedness

The corporation has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $10,400,000. The line of credit bears interest at Royal Bank prime rate minus 1.00% per annum and is secured by an unconditional and irrevocable guarantee signed by the City of Winnipeg in the amount of $13,000,000 and a general security agreement on all personal property of the corporation. As at December 31, 2012, the line of credit had a balance owing of $6,415,608 ($nil as at December 31, 2011). After year end, the City of Winnipeg approved additional borrowing in the amount of $6,600,000.

4. Restricted Cash/Holdbacks Payable

The corporation has a holdback account that is jointly controlled with one of its contractors for a specific project.

5. Accounts Receivable

	2012	2011
Central Park Project	**$ -**	$ 710,768
Other	**437,205**	517,444
GST receivable	**69,122**	149,817
Grants receivable	**149,933**	159,350
SHED Project	**849,661**	-
	$ 1,505,921	$ 1,537,379

6. Property Held for Resale

Under the asset agreement between CentreVenture Development Corporation and the City of Winnipeg, CentreVenture Development Corporation has the option to acquire an interest in surplus City-owned properties and buildings within the downtown area for the consideration of one dollar or a maximum of three years back property taxes. Any properties obtained under either of these options are recorded at the consideration price. The land inventory available under the asset agreement has been substantially depleted.

Property held for resale also includes properties acquired at fair market value from third parties for the purpose of development and/or resale. Material costs associated with the acquisition, development and resale of these properties are capitalized at cost. Property held for resale at year end consists of the following:

6. *Property Held for Resale (continued)*

		2012		2011
Property for sale	**$**	**796,770**	$	2,349,829
Property development costs		**239,904**		145,904
	$	**1,036,674**	$	2,495,733

7. *Mortgages Receivable*

		2012		2011
Mortgages receivable	**$**	**3,245,436**	$	3,670,609
Accrued interest receivable		**4,208**		5,895
Allowance for doubtful loans		**(20,000)**		(20,000)
		3,229,644		3,656,504
Current portion of mortgages receivable		**898,342**		752,511
	$	**2,331,302**	$	2,903,993

The sale agreement for one of the mortgaged properties contains a clause which would require the CentreVenture Development Corporation to forgive $30,000 of the mortgage held provided that the terms of the agreement are met. Subsequent to the year end, these terms have been met and the forgivable amount will be deducted from the amount owing by the borrower.

Mortgages receivable are on various properties in downtown Winnipeg with terms ranging from demand to maturity of 25 years, monthly installments applied to interest first, compounded semi-annually not in advance, and secured by recourse to the related underlying property, personal and corporate guarantees, and other forms of security. Interest rates charged for CentreVenture Development Corporation mortgages range from 5.25% to 8.0% and are both fixed and variable in reference to the Bank of Canada's prime rate of lending at the time of loan disbursement.

Mortgage principal receipts are expected as follows:

2013	$	898,342
2014		395,714
2015		241,597
2016		241,597
2017		241,597
Thereafter		1,226,589
Accrued interest		4,208
		3,249,644
Allowance		(20,000)
	$	3,229,644

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2013.

8. Loans Receivable

		2012		2011
Loans receivable	**$**	**6,242,095**	$	4,928,720
Accrued interest receivable		**36,406**		29,448
Allowance for doubtful loans		**(105,000)**		(130,000)
		6,173,501		4,828,168
Current portion of loans receivable		**3,310,176**		1,025,823
	$	**2,863,325**	$	3,802,345

Loans receivable from various borrowers have a maximum term to maturity of 30 years, payable in monthly interest installments plus annual principal payment, and secured by an assignment of Heritage Tax Credits or other forms of security. Interest rates charged, ranging from 5.0% to 8.5%, are both fixed and variable in reference to the Bank of Canada's prime rate of lending at the time of loan disbursement.

Loan principal receipts are expected as follows:

2013	$	3,310,176
2014		1,042,866
2015		302,329
2016		205,619
2017		180,060
Thereafter		1,201,045
Accrued interest		36,406
		6,278,501
Allowance		(105,000)
	$	6,173,501

The above schedule lists the expected receipts based on loans maturing during the year. Negotiations to renew loans may occur as terms expire throughout 2013.

9. Investment in Government Business

StR Properties Inc. is a government business enterprise that is 89%, owned by the corporation. This government business was acquired as part of the corporation's mission to revitalize downtown Winnipeg in December 2012.

10. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings	**$ 9,609,320**	**$ 842,749**	$ 9,609,320	$ 259,679
Computer equipment	**113,321**	**105,041**	104,073	90,835
Furniture and fixtures	**124,293**	**66,933**	111,007	47,144
Leasehold improvements	**575,219**	**267,704**	575,219	224,794
	$ 10,422,153	**$ 1,282,427**	$ 10,399,619	$ 622,452
Cost less accumulated amortization	**$ 9,139,726**		$ 9,777,167	

11. Deferred Grant Revenue

Deferred grant revenue represents externally restricted funding received from various sources for the operation of the project to which the funding relates.

Deferred grant revenue for externally restricted projects during the year is as follows:

	2012	2011
Gail Parvin Hammerquist 2009	**$ 673,654**	$ 677,194
North Main Economic Development Program Grant	**2,600**	2,600
	$ 676,254	$ 679,794

12. Long-term Debt

	2012	2011
Royal Bank of Canada Insurance, term loan payable at the fixed rate of 4.47%, due October 2025, blended yearly payments of $241,597, secured by a general security agreement constituting a first ranking security interest in all personal property, and an unconditional and irrevocable guarantee signed by the City of Winnipeg in the amount of $13,000,000.	**$ 2,343,642**	$ 2,474,623
Mortgage payable at the rate of 4.59%, due January 2015, blended monthly payments of $9,565, the balance is unsecured.	**1,948,051**	1,972,554
	4,291,693	4,447,177
Current portion of long-term debt	**162,741**	155,737
	$ 4,128,952	$ 4,291,440

12. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2013	$ 162,741
2014	170,072
2015	2,044,370
2016	156,018
2017	162,992
Thereafter	1,595,500
	$ 4,291,693

The term loan payable of $2,343,642 noted above, was incurred to fund a 15 year mortgage loan of an equal amount which CentreVenture extended to Youth Centre of Excellence project at 333 King Street. CentreVenture receives an annual payment against the mortgage receivable over a 15 year period from the City of Winnipeg to cover the annual debt servicing costs (principal and interest) related to Youth Centre of Excellence's loan.

13. Deferred Government Assistance

The details of government assistance outstanding on forgivable loans are as follows:

	2012	2011
Bell Hotel		
Province of Manitoba (15 year term loan, with maturity date set at August 1, 2026. Payments are not required as long as the property operates as an affordable housing complex).	**$ 2,270,555**	$ 2,430,555
Government of Canada (15 year term loan, with maturity date set at August 1, 2026. Payments are not required as long as the property offers services for the homeless approved by the Government of Canada).	**2,558,125**	2,750,672
Centre Village Housing Inc.		
Province of Manitoba (15 year term loan, with maturity date set at July 1, 2025. Payments are not required as long as the property operates as an affordable housing complex).	**1,329,167**	1,429,167
	$ 6,157,847	$ 6,610,394

The five year forgiveness schedule for the forgivable loans is as follows:

2013	$ 459,214
2014	459,214
2015	459,214
2016	459,214
2017	459,214
Thereafter	3,861,777
	$ 6,157,847

13. Deferred Government Assistance (continued)

At December 31, 2012, the corporation has met all requirements during the year related to the terms of the forgivable loans.

14. Commitments and Contingencies

The corporation has made commitments for grants that had not been disbursed by the December 31, 2012 year end in the approximate amount of $480,000 ($450,000 in 2011).

The corporation has made commitments for loans that had not been disbursed by the December 31, 2012 year end in the approximate amount of $1,601,146 ($2,045,731 in 2011).

The corporation has made commitments for property development and property purchases with the maximum amount committed to be $nil ($nil in 2011) pending the recipient's ability to meet the requirements of the agreement.

The corporation has made commitments for leases for the next five years as follows:

2013	$ 11,542
2014	1
2015	1
2016	1
2017	1

15. Invested in Capital Assets

Investment in capital assets is calculated as follows:

	2012	2011
Capital assets	**$ 9,139,726**	$ 9,777,167
Amounts to be financed by approved grants and mortgage advances	**8,105,897**	8,582,948
	$ 1,033,829	$ 1,194,219

Change in net assets invested in capital assets is calculated as follows:

	2012	2011
Deficiency of revenue over expenditures		
Amortization of capital assets	**$ (659,974)**	$ (305,087)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 22,534**	$ 4,900,455
Amounts to be funded by approved grants and mortgage advances	**-**	(4,703,214)
Repayment of long-term debt	**24,503**	23,650
	$ 47,037	$ 220,891

16. Related Party Transactions

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

	2012	2011
REVENUE		
City of Winnipeg (parent) - operating grant	**$ 300,000**	$ 293,156
City of Winnipeg (parent) - miscellaneous	**26,407**	5,250
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
City of Winnipeg (parent) - Property taxes	**76,393**	95,839
City of Winnipeg (parent) - Property purchases	**-**	1
OTHER		
City of Winnipeg (parent) - Assigned Heritage Tax Credits applied against loans receivable	**154,334**	761,749

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

17. Financial Instrument Risks

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the corporation's President and Chief Executive Officer. The Board of Directors receives monthly reports from the corporation's President and Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The corporation's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Interest Rate Risk

The corporation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its mortgages and loans receivable, and long term debt. The corporation's objective is to minimize interest rate risk by locking in fixed rates on its mortgages and loans receivable, and its long term debt.

The corporation is exposed to interest rate risk through its line of credit, which bears interest at prime minus one percent. These funds are used as interim financing until permanent financing, with a fixed rate, can be put in place.

The corporation's financial instruments subject to interest rate risk are subject to fixed rates of interest and will not be renewed within the next twelve months, therefore are not subject to interest rate risk. The line of credit is not subject to interest rate risk as it is a market rate and the funds are usually used for a period of less than twelve months.

17. Financial Instrument Risks (continued)

Credit Risk

The corporation is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the corporation's receivables are from government entities which minimizes the risk of non-collection. The corporation also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding.

The corporation is also exposed to credit risk through the possibility of non-collection of its mortgages and loans receivable. The corporation's loan guidelines set out the minimum requirements for management of credit risk. The corporations' loan guidelines include policies regarding the approval of lending, eligibility for loans, lending limits, and loan collateral security.

With respect to credit risk, the Board of Directors receives details of new loans and delinquent loans. The corporation's maximum exposure to the credit risk is limited to the amount presented on the face of the balance sheet for accounts receivable, mortgages and loans receivable.

Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they fall due. The corporation has a planning and budgeting process in place to help determine the funds required to support the corporation's normal operating requirements on an ongoing basis. The corporation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

18. Subsequent Event

The corporation through its investment in StR Properties Inc., purchased on February 1, 2013 all of the issued and outstanding shares of 5011247 Manitoba Ltd. ("247") and 5101255 Manitoba Ltd. ("255"). 247 and 255 each own an undivided one-half interest in the land, building and chattels of the St. Regis Hotel, Winnipeg, Manitoba. The corporation's share of the purchase price is $6,007,500.

19. Fair Value of Financial Instruments

The carrying amount of the corporation's financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

20. The Sports, Hospitality and Entertainment District

The Sports, Hospitality and Entertainment District (S.H.E.D.) has been championed by CentreVenture Development Corporation along with our Downtown partners. The S.H.E.D. is a collaborative initiative and will be a public investment funded by the City of Winnipeg and Province of Manitoba. CentreVenture will continue to play a key role as a project administrator and will act as a conduit in the receipt and disbursement of funds. As of December 31, 2012, the amount disbursed and receivable is $849,661 which is recorded in the other receivable category in the current year.

21. Capital Management

The corporation manages its capital according to the plan approved by the City of Winnipeg. That plan contains several principles:

- Each year's operations are budgeted on a break-even basis, so that the corporation's equity over the long-term neither grows nor diminishes on account of annual operations. In the current year and each of the two prior years, the corporation's net assets have increased based on the operating result. In each of these years, general unrestricted assets in excess of a minimum base of $97,000 have been transferred to the Urban Development Bank.

- The Urban Development Bank (UDB) was established by the City of Winnipeg, with an initial $10,000,000 investment and the right for the corporation to acquire certain properties from the City for $1 each period. The net profits from the purchase and sale of these properties in downtown development transactions were added to the UDB increasing it to a maximum of almost $14,000,000 by the time all available properties had been sold. This land bank is now exhausted.

  The UDB's assets are used to make investments in mortgages and loans receivable as well as in capital assets to facilitate downtown development. The loans and mortgages are recovered by repayment. Investments in capital assets are ultimately sold. The cash realized from these UDB investments is then reinvested in further downtown development activity.

  In addition, the corporation's community investment activities are expensed in the Urban Development Bank, thereby reducing its equity. The corporation anticipates annual community investments of $500,000 to $1,000,000. In the current year, these activities depleted the Urban Development Bank to a year-end balance of approximately $9,200,000. This balance is comprised of the total of the equity "invested in capital assets" and the UDB equity balance.

WINNIPEG ARTS COUNCIL INC.

STATEMENT OF OPERATIONS

Years ended December 31

	2012	2011
REVENUES		
City of Winnipeg	**$ 4,082,552**	$ 4,032,552
Arts Development	**76,798**	26,788
Other income	**18,162**	7,335
Interest income	**15,179**	17,628
	4,192,691	4,084,303
EXPENSES		
Program expenses (Schedule of Expenses)	**3,689,936**	3,701,929
Administrative expenses (Schedule of Expenses)	**453,955**	340,427
	4,143,891	4,042,356
OTHER PROJECTS		
Cultural Capital of Canada revenues		
Contributions	**270,362**	1,254,387
Cultural Capital of Canada expenses	**(214,997)**	(1,254,387)
Public Art revenues	**494,959**	456,704
Public Art expenses (Schedule of Expenses)	**(494,959)**	(456,704)
	55,365	-
EXCESS OF REVENUES OVER EXPENSES BEFORE AMORTIZATION	**104,165**	41,947
AMORTIZATION	**(14,712)**	(15,884)
EXCESS OF REVENUES OVER EXPENSES AFTER AMORTIZATION (Note 9)	**$ 89,453**	$ 26,063

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENT OF CHANGES IN NET ASSETS

Years ended December 31

	Unrestricted	Invested in Capital Assets	Internally Restricted	**Total 2012**	Total 2011
Net assets, beginning of years	$ 81,603	$ 75,677	$ 174,691	**$ 331,971**	$ 325,908
Excess (deficiency) of revenues over expenses	104,165	(14,712)	-	**89,453**	26,063
Transfers (Note 7)	(131,603)	-	131,603	**-**	(20,000)
Net assets, end of years	$ 54,165	$ 60,965	$ 306,294	**$ 421,424**	$ 331,971

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENTS OF FINANCIAL POSITION

	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
Current			
Cash	**$ 65,978**	$ 95,043	$ 59,550
Term deposits	**1,105,000**	990,000	1,446,000
Receivables	**5,672**	6,736	27,332
GST receivable	**9,177**	20,338	19,529
Prepaid expenses	**4,632**	56,988	3,475
	1,190,459	1,169,105	1,555,886
Equipment and leasehold improvements (Note 4)	**60,965**	75,677	88,830
	$ 1,251,424	$ 1,244,782	$ 1,644,716
LIABILITIES			
Current			
Payables and accruals	**$ 9,522**	$ 5,000	$ 46,590
Grant holdbacks (Note 5)	**132,500**	122,108	61,340
Deferred contributions (Note 6)	**687,978**	785,703	1,210,878
	830,000	912,811	1,318,808
NET ASSETS			
Unrestricted	**54,165**	81,603	42,387
Invested in Capital Assets	**60,965**	75,677	88,830
Internally Restricted (Note 9)	**306,294**	174,691	194,691
	421,424	331,971	325,908
	$ 1,251,424	$ 1,244,782	$ 1,644,716

Commitment (Note 8)

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENTS OF CASH FLOWS

Years ended December 31

	2012	2011
Cash derived from (applied to)		
OPERATING		
Excess of revenues over expenses	**$ 89,453**	$ 26,063
Amortization	**14,712**	15,884
	104,165	41,947
Change in non-cash working capital		
Receivables	**1,063**	20,596
GST receivable	**11,161**	(809)
Prepaid expenses	**52,356**	(53,513)
Payables and accruals	**4,523**	(41,590)
Grant holdbacks	**10,392**	60,768
Deferred contributions	**(97,725)**	(425,175)
	(18,230)	(439,723)
INVESTING		
Redemption of term deposits	**-**	456,000
Purchase of term deposits	**(115,000)**	-
Transfer to Endowment Fund	**-**	(20,000)
Purchase of equipment	**-**	(2,731)
	(115,000)	433,269
NET (DECREASE) INCREASE IN CASH	**(29,065)**	35,493
CASH BALANCE		
Beginning of years	**95,043**	59,550
End of years	**$ 65,978**	$ 95,043

See accompanying notes to the financial statements

1. Nature of Operations

Winnipeg Arts Council Inc. (the Organization) funds, supports, and fosters development of the arts on behalf of the people of Winnipeg.

The Organization is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant Accounting Policies

The Organization follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are as follows:

a) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost. The Organization provides for amortization using the following methods at rates designed to amortize the cost of the equipment and leasehold improvements over their estimated useful lives. The annual amortization rates and methods are as follows:

Office equipment	5 years Straight-line
Furniture and fixtures	10 years Straight-line
Computer equipment	3 years Straight-line

Amortization of leasehold improvements is recorded over the term of the lease.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

d) Financial instruments

It is management's opinion that the Organization is not exposed to significant credit, currency, interest rate, price, liquidity or market risks arising from its financial instruments.

3. *Impact of the Change in the Basis of Accounting*

Effective January 1, 2012, the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the Organization's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations (ASfNPO) and the transitional provisions of Section 1501, First-time Adoption by Not-for-Profit Organizations have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening ASfNPO statement of financial position at January 1, 2011 (the Organization's date of transition).

The Organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook - Accounting Part V. The adoption of ASfNPO had no impact on the previously reported assets, liabilities, and net assets of the Organization, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statements of operations and changes in net assets, and the statement of cash flows. Certain of the Organization's disclosures included in these financial statements reflect the new disclosure requirements of ASfNPO.

4. *Equipment and Leasehold Improvements*

	Cost	**Accumulated Amortization**	**2012 Net Book Value**	2011 Net Book Value
Office equipment	**$ 6,574**	**$ 6,574**	**$ -**	$ -
Furniture and fixtures	**29,664**	**15,636**	**14,028**	16,994
Leasehold improvements	**104,258**	**58,148**	**46,110**	56,536
Computer equipment	**3,961**	**3,134**	**827**	2,147
	$ 144,457	**$ 83,492**	**$ 60,965**	$ 75,677

5. *Grant Holdbacks*

The Organization follows the policy of holding back a proportion of grants awarded in a year until certain completion criteria have been satisfied. Furthermore, some awards will be disbursed according to a cash flow schedule developed with the agreement of the recipient organizations. Accordingly, this account represents the award balances which will be disbursed in the future according to the specified guidelines.

5. *Grant Holdbacks (continued)*

At December 31, the composition of the holdbacks according to award category are as follows:

	2012	2011
Project grants	**$ 54,550**	$ 56,862
Youth WITH ART grants	**35,000**	-
Individual artist	**28,200**	32,446
New Creations	**11,500**	24,000
Audience Development	**1,500**	3,000
Arts Development	**1,000**	3,500
Professional development	**750**	-
Youth Arts Initiative	**-**	2,300
	$ 132,500	$ 122,108

6. *Deferred Contributions*

Deferred contributions represent restricted funding and unspent externally restricted resources which relate to the subsequent year.

Public Art relates to the design and execution of particular artworks to be created in public areas of Winnipeg. The commissioning and installation of public art projects is a multi-year process. This project is supported by a specified allocation from the City of Winnipeg. Financial support to individual artists is awarded on the recommendations of juries selected by the Organization.

In 2009, Winnipeg was designated as the Cultural Capital of Canada 2010 by the department of Canadian Heritage. Various governments have committed funds in excess of two million dollars to the City for use by the Organization for community arts projects as designated and approved by Canadian Heritage.

	2012	2011
Public Art		
Balance, beginning of year	**$ 715,341**	$ 675,945
Contributions		
City of Winnipeg	**467,596**	460,400
Other	**-**	35,700
Transferred to revenue	**(494,959)**	(456,704)
	687,978	715,341
Cultural Capital of Canada		
Balance, beginning of year	**70,362**	534,933
Contributions	**200,000**	789,816
Transferred to revenue	**(270,362)**	(1,254,387)
	-	70,362
Decrease during the year	**(97,725)**	(425,175)
Deferred contributions, beginning of year	**785,703**	1,210,878
Deferred contributions, end of year	**$ 687,978**	$ 785,703

6. Deferred Contributions (continued)

The following provides a breakdown by project of the unexpended balance:

	2012	2011
Public Art Projects		
Osborne Bridge	**$ 2,272**	$ 16,538
Bijou Park	**134,500**	134,500
Central Park	**-**	13,068
WITH ART: Community Arts Projects	**145,321**	156,828
Millennium Park Literary Fence	**7,928**	55,953
Community Gardens	**13,302**	29,965
BIZ Collaboration	**-**	79,559
Private-Public Partnership	**-**	17,981
Public Education and Outreach	**-**	9,842
Transcona Performance	**4,053**	143,132
Broadway Light-based Sculptures	**124,463**	-
Disraeli Bridge	**34,000**	-
Rapid Transit Corridor	**165,500**	-
Public Art Contingency	**56,639**	57,975
	687,978	715,341
Cultural Capital of Canada	**-**	70,362
	$ 687,978	$ 785,703

7. Transfers

During the year, the Board of Directors approved the following transfers:

$Nil (2011 - $2,731) was transferred from unrestricted net assets to invested in capital assets in order to fund cash outlays for capital asset acquisitions.

$Nil (2011 - $20,000) was transferred from internally restricted net assets to The Winnipeg Foundation in order to establish an endowment fund in the Organization's name.

$100,000 (2011 - $Nil) was transferred from unrestricted net assets to internally restricted net assets to be used for future Municipal Arts and Cultural Development programs. Specifically, $50,000 of the current year surplus has been designated to the Cultural Capital of Canada Legacy Event.

$31,603 (2011 - $Nil) was transferred from unrestricted net assets to internally restricted net assets to be used for Future Programs.

8. Commitment

The Organization has entered into a lease agreement at an annual cost of $35,464. Commencing April 1, 2012, the rent will increase annually by the Consumer Price Index. The lease expires in 2017.

9. Internally Restricted Net Assets

		2012		2011
Cash flow assistance	**$**	**100,000**	$	100,000
Future Programs		**74,270**		42,667
Municipal Arts and Cultural Development		**132,024**		32,024
	$	**306,294**	$	174,691

The allocation for cash flow assistance was made in order to provide cash flow assistance to client organizations until such time as operating grants for their use have been received by Winnipeg Arts Council Inc. from the City of Winnipeg.

The allocation for Future Programs is available for the development of new programs at the discretion of the Board of Directors.

The allocation to Municipal Arts and Cultural Development was made to finance future projects to engage the overall community in support of the arts in the City of Winnipeg. Specifically, $50,000 of the current year surplus has been designated to the Cultural Capital of Canada Legacy Event.

10. Economic Dependence

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

11. Endowment Fund

In 2011, the Organization established an Endowment Fund through a $20,000 contribution to be held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Organization annually to support general operations. As of December 31, 2012, the Organization's cumulative contributions to the Endowment Fund totaled $20,000 (2011 - $20,000) with a cumulative matching grant contribution of $15,000 (2011 - $15,000) from The Winnipeg Foundation. The market value of the Endowment Fund at December 31, 2012 is $39,309 (2011 - $35,502).

WINNIPEG ARTS COUNCIL INC.

SCHEDULE OF EXPENSES

Year ended December 31

	2012	2011
PROGRAM EXPENSES		
Operating grants	**$ 3,107,650**	$ 2,953,650
Project grants	**210,000**	190,000
Individual artist grants	**173,000**	155,678
Professional development grants	**53,610**	69,358
New Creations grant	**-**	227,198
Arts Development	**86,895**	76,011
Youth WITH ART grant	**17,500**	-
Jury honoraria and expenses	**23,825**	17,251
Translation services	**11,206**	6,533
Carol Shields Winnipeg Book Award	**6,250**	6,250
	$ 3,689,936	$ 3,701,929
ADMINISTRATIVE EXPENSES		
Board and committee meetings	**$ 6,121**	$ 9,405
Hospitality and promotion	**2,664**	9,089
Professional and consultant fees	**22,255**	12,199
Professional development, membership and conferences	**3,946**	3,688
Rent	**41,425**	41,453
Salaries and benefits	**341,505**	233,138
Supplies and other office expenses	**29,566**	24,580
Telecommunications	**6,473**	6,875
	$ 453,955	$ 340,427
PUBLIC ART EXPENSES		
Administration	**$ 74,996**	$ 74,766
Artists proposal expenses	**1,000**	-
Commission fees	**342,000**	352,143
Consultation	**17,539**	9,788
Jury honoraria and expenses	**1,360**	2,849
Maintenance	**12,651**	-
Public education	**13,477**	5,788
Research, planning and marketing	**31,936**	11,370
	$ 494,959	$ 456,704

See accompanying notes to the financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

December 31, 2012

	December 31 2012	December 31 2011	January 1 2011
ASSETS			
Current assets			
Cash	**$ 18,976**	$ 22,507	$ 13,414
GST receivable	**696**	351	-
Prepaid expenses	**-**	-	225
	$ 19,672	$ 22,858	$ 13,639
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	**$ 73**	$ 941	$ 230
Library Advisory Committees payable (Note 5)	**-**	513	63
	73	1,454	293
NET ASSETS			
Unrestricted	**19,599**	21,404	13,346
	$ 19,672	$ 22,858	$ 13,639

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF OPERATIONS

Year ended December 31, 2012

	2012	2011
REVENUE		
City of Winnipeg operating grant	**$ 88,128**	$ 88,128
Other income	**934**	-
	89,062	88,128
EXPENDITURES		
Administrative	**18,215**	39,377
Development and research	**27,565**	6,592
Foundation donation	**20,000**	20,000
Language and literacy grants	**3,000**	3,000
Promotion, advertising, and community outreach	**12,087**	5,101
Sponsorship	**10,000**	6,000
	90,867	80,070
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	**$ (1,805)**	$ 8,058

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2012

	2012	2011
Net assets, beginning of year	**$ 21,404**	$ 13,346
(Deficiency) excess of revenue over expenditures	**(1,805)**	8,058
Net assets, end of year	**$ 19,599**	$ 21,404

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF CASH FLOWS

Year ended December 31, 2012

		2012		2011
OPERATING ACTIVITIES				
(Deficiency) excess of revenue over expenditures	**$**	**(1,805)**	$	8,058
Change in non-cash working capital:				
GST receivable		**(345)**		(351)
Prepaid expenses		**-**		225
Accounts payable and accrued liabilities		**(868)**		711
Library Advisory Committees payable		**(513)**		450
Net (decrease) increase in cash flow		**(3,531)**		9,093
CASH, beginning of year		**22,507**		13,414
CASH, end of year	**$**	**18,976**	$	22,507

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. Purpose of the Organization

The Winnipeg Public Library Board (the "organization") was established through the enactment of a City of Winnipeg by-law to provide guidance with respect to improving the City's library system. It is a not-for-profit organization that is exempt from income tax under provisions of the Income Tax Act.

2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Revenue recognition

The organization recognizes government funding in the period in which it is received.

The organization recognizes other revenue when earned, specifically when all the following conditions are met:

- there is clear evidence that an arrangement exists;
- amounts are fixed or can be determined; and
- the ability to collect is reasonably assured.

Tangible capital assets

The average annual revenues recognized in the statement of operations for the current and preceding period of the organization, and any entities it controls, was less than $500,000. Since the organization met criteria for small not-for-profit organizations, it does not record the acquisition of tangible capital assets. These acquisitions are expensed at the date of acquisition. No tangible capital assets were acquired or expensed in the statement of operations in the current year.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

3. Adoption of Accounting Standards for Not-for-Profit Organizations

Effective January 1, 2012, the organization adopted the Canadian accounting standards for not-for-profit organizations (ASNPO). Previously, the financial statements were presented in accordance with Canadian generally accepted accounting principles (GAAP) as issued in the Handbook - Accounting Part V Pre-changeover standards. On adoption of ASNPO, an organization is permitted to selectively elect certain exemptions and choose accounting policies that may differ from the previously presented financial statement information. This can result in adjustments to the opening net assets at the transition date, which is the first day of the period for which comparative information is presented. Although the organization made no changes to the previously presented financial statements, an opening statement of financial position at the date of transition has been presented, as required.

4. Economic Dependence

The organization is dependent on the City of Winnipeg as its primary source of revenue. Should this funding substantially change, management is of the opinion that continued viable operations would be doubtful.

5. Library Advisory Committees

	2012	2011
Trust Funds Assiniboia LAC	**$ -**	$ 15
Trust Funds City Centre LAC	**-**	249
Trust Funds EK - Trans LAC	**-**	(13)
Trust Funds LS-WK LAC	**-**	151
Trust Funds Riel LAC	**-**	111
	$ -	$ 513

6. Comparative Figures

The prior year financial statements were prepared by another professional accounting firm. Certain prior year figures have been reclassified for comparative purposes to conform with current year presentation.

ASSINIBOINE PARK CONSERVANCY INC.

BALANCE SHEETS

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
ASSETS			
CURRENT			
Cash and short-term investments (Note 4)	**$ 4,667,758**	$ 5,615,306	$ 5,324,278
Accounts receivable	**64,722**	79,835	1,057,993
Government remittances receivable	**451,510**	234,133	508,076
Construction advance receivable (Note 5)	**2,219,279**	328,454	-
Inventory	**142,971**	94,058	75,822
Prepaid expenses	**115,430**	92,221	53,066
	7,661,670	6,444,007	7,019,235
CAPITAL ASSETS (Note 6)	**61,020,849**	34,662,597	12,098,434
ART COLLECTIONS (Note 7)	**13,542,552**	13,532,891	-
EMPLOYEE BENEFITS RECEIVABLE (Note 8)	**515,203**	556,122	608,167
	$ 82,740,274	$ 55,195,617	$ 19,725,836
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	**$ 10,804,231**	$ 6,296,598	$ 3,489,986
Deferred contributions - operating (Note 9)	**149,188**	452,563	111,765
Notes payable (Note 10)	**8,975,000**	2,975,000	-
Construction advance payable (Note 5)	**-**	-	1,432,250
	19,928,419	9,724,161	5,034,001
DEFERRED CONTRIBUTIONS - OPERATING (Note 9)	**507,916**	316,063	-
DEFERRED CONTRIBUTIONS - CAPITAL (Note 11)	**48,592,995**	31,341,773	14,287,677
NOTES PAYABLE (Note 10)	**-**	75,000	-
ACCRUED EMPLOYEE BENEFITS (Note 8)	**284,036**	324,955	377,000
	69,313,366	41,781,952	19,698,678
COMMITMENTS (Note 17)			
NET ASSETS			
Restricted (Notes 3(c) and 7)	**13,467,552**	13,382,891	-
Unrestricted	**(40,644)**	30,774	27,158
	13,426,908	13,413,665	27,158
	$ 82,740,274	$ 55,195,617	$ 19,725,836

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENTS OF OPERATIONS

For the Years ended December 31, 2012 and December 31, 2011

	December 31, 2012	December 31, 2011 (Note 2)
REVENUE		
City of Winnipeg (Note 12)	**$ 11,875,493**	$ 10,986,694
Other operating grants	**172,771**	80,077
Gifts and sponsorships (Note 13)	**477,874**	936,257
Amortization of deferred contributions	**2,941,064**	1,221,143
Park revenues	**5,196,003**	3,618,999
	20,663,205	16,843,170
Direct costs of park revenues (Note 12)	**4,448,064**	2,444,915
	16,215,141	14,398,255
EXPENSE		
Administration (Notes 10 and 12)	**1,620,510**	1,293,410
Amortization of capital assets	**2,205,191**	1,020,270
Insurance (Note 16)	**124,822**	103,636
Operations (Note 12)	**1,666,144**	1,665,109
Utilities (Note 12)	**824,262**	704,185
Wages, benefits and contract services (Note 12)	**9,770,630**	9,608,029
	16,211,559	14,394,639
EXCESS OF REVENUE OVER EXPENSE	**$ 3,582**	$ 3,616

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2012 and December 31, 2011

	Restricted Net Assets	Unrestricted Net Assets	**December 31, 2012 Total**	December 31, 2011 Total (Note 2)
Balance, beginning of year	**$ 13,382,891**	**$ 30,774**	**$ 13,413,665**	$ 27,158
Transfer of art collection from Pavilion Gallery Museum Inc. (Note 7)	**-**	**-**	**-**	13,382,891
Gift of art	**9,661**	**-**	**9,661**	-
Repayment of long-term debt	**75,000**	**(75,000)**	**-**	-
Excess of revenue over expense	**-**	**3,582**	**3,582**	3,616
Balance, end of year	**$ 13,467,552**	**$ (40,644)**	**$ 13,426,908**	$ 13,413,665

	Invested in Art Collections (Note 2)	Unrestricted Net Assets (Note 2)	December 31, 2011 Total (Note 2)	January 1, 2011 Total (Note 2)
Balance, beginning of year	$ -	$ 27,158	$ 27,158	$ 17,866
Transfer of art collection from Pavilion Gallery Museum Inc. (Note 7)	13,382,891	-	13,382,891	-
Excess of revenue over expense	-	3,616	3,616	9,292
Balance, end of year	$ 13,382,891	$ 30,774	$ 13,413,665	$ 27,158

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENTS OF CASH FLOWS

For the Years ended December 31, 2012 and December 31, 2011

	December 31, 2012	December 31, 2011 (Note 2)
OPERATING ACTIVITIES		
Excess of revenue over expense	**$ 3,582**	$ 3,616
Items not affecting cash:		
Amortization of capital assets	**2,205,191**	1,020,270
Amortization of deferred contributions	**(2,941,064)**	(1,221,143)
	(732,291)	(197,257)
Changes in non-cash operating working capital items:		
Accounts receivable	**15,113**	978,158
Government remittances receivable	**(217,377)**	273,943
Inventory	**(48,913)**	(18,236)
Prepaid expenses	**(23,209)**	(39,155)
Accounts payable and accrued liabilities	**4,507,633**	2,806,612
Construction advance	**(1,890,825)**	(1,760,704)
Deferred contributions - operating	**(111,522)**	656,861
	1,498,609	2,700,222
FINANCING ACTIVITIES		
Deferred contributions - capital	**20,192,286**	15,706,335
Proceeds from notes payable	**6,000,000**	2,900,000
Repayment of notes payable	**(75,000)**	-
Change in employee benefits receivable	**40,919**	52,045
Change in accrued employee benefits	**(40,919)**	(52,045)
	26,117,286	18,606,335
INVESTING ACTIVITY		
Acquisition of capital assets	**(28,563,443)**	(21,015,529)
NET (DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS	**(947,548)**	291,028
CASH AND SHORT-TERM INVESTMENTS, beginning of year	**5,615,306**	5,324,278
CASH AND SHORT-TERM INVESTMENTS, end of year	**$ 4,667,758**	$ 5,615,306

1. Description of Assiniboine Park Conservancy Inc. ("The Conservancy")

On July 16, 2006 Winnipeg City Council adopted a new governance model for Assiniboine Park ("the Park"), which called for the establishment of a not-for-profit entity to oversee the operation and development of the Park for the benefit of the community. Under the new governance model, Assiniboine Park Conservancy Inc. was created on April 17, 2008 with an independent Board of Directors, appointed with representation from all three levels of government and the private sector, to govern at arm's length from the City of Winnipeg ("the City").

Through a fifty year Lease and Funding Agreement with the Conservancy, which came into effect on October 1, 2010, the City retains ownership of the Park and all of its assets. Under this agreement, the City provides an annual grant to support the operation and maintenance of the Park and is committed to a 25% share of the cost of major capital redevelopment of Park attractions and amenities. It is intended that the Province of Manitoba, the federal government and the private sector will also be partners in the redevelopment over the next 10 to 15 years.

On October 1, 2010, City of Winnipeg staff employed in the Assiniboine Park Zoo ("Zoo") and the Conservatory became employees of the Conservancy. Details of the funding arrangements and other balances and transactions with the City of Winnipeg are described in more detail in Note 12.

During the prior year the Conservancy signed Asset Transfer Agreements with the following not-for-profit organizations: Zoological Society of Manitoba ("ZSM"), Partners in the Park Inc. ("PIP"), Pavilion Gallery Museum Inc. ("PGM"), Leo Mol Garden, Inc. ("LMG"), and the Assiniboine Park Bandshell Inc. ("APB"). Further information describing the impact of these agreements on the financial statements is included in Notes 6, 7, 9, 10, 11, 13 and 14.

The Conservancy became a registered charity under the Income Tax Act on January 1, 2009 and is exempt from income taxes.

2. Adoption of a New Accounting Framework

During the year ended December 31, 2012, the Conservancy adopted the new accounting standards for not-for-profit organizations (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, First-time Adoption for Not-for-profit Organizations, ("Section 1501"), the date of transition to the new standards is January 1, 2011 and the Conservancy has prepared and presented an opening statement of financial position as at the date of transition to the new standards. This opening statement of financial position is the starting point for the entity's accounting under the new standards.

In its opening statement of financial position, under the recommendations of Section 1501, the Conservancy:

a) recognized all assets and liabilities whose recognition is required by the new standards;
b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and
d) applied the new standards in measuring all recognized assets and liabilities.

2. Adoption of a New Accounting Framework (continued)

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively. The Conservancy has elected to apply the business combination election available under Section 1501.

<u>Impact of the new standards on the statement of financial position as at January 1, 2011</u>

The impact of the adoption of the new standards on the statement of financial position as at January 1, 2011 is a reclassification of government remittances from accounts receivable to government remittances receivable in the amount of $508,076 as the new standards require separate disclosure of government remittances.

<u>Impact of the new standards on the statement of operations for the year ended December 31, 2011</u>

There was no impact of the adoption of the new standards on the statement of operations for the year ended December 31, 2011.

<u>Impact of the new standards on the statement of cash flows for the year ended December 31, 2011</u>

The Operating activities section of the cash flow statement has been adjusted to reflect, as appropriate, the above changes to the statement of financial position.

3. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

The Conservancy follows the deferral method of accounting for revenues. Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted revenues are recognized in accordance with the restrictions placed on them by the funder.

Unrestricted gifts are recognized as revenue in the period in which the gifts are received. Gifts that are restricted by the donor are deferred, and then recognized in the year in which the related restriction is met.

Pledges receivable from donors have not been recognized in these financial statements.

Park revenues, which include revenues from zoo admissions, food, beverage and retail sales, education programming, hosting of private functions and public fundraisers, are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collection is reasonably assured.

3. *Significant Accounting Policies (continued)*

b) Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at their fair value at the date of contribution. Amortization is recorded on a straight-line basis over the assets estimated useful life as follows:

Park facility improvements	10 - 40 years
Grounds improvements	5 - 20 years
Park equipment and systems	5 - 20 years
Moving equipment	5 - 15 years

Park facility improvements include new buildings and exhibits, and major improvements to existing buildings and exhibits in the Park. Grounds improvements include major improvements to roadways, parking lots, landscaping, lighting, pathways and signage. Park equipment and systems include information technology, security and safety systems, temporary structures, computer equipment, office furniture and fixtures, playground equipment, benches, picnic tables and other Park equipment, retail equipment and minor improvements to existing buildings. Moving equipment includes grounds maintenance and sanitation equipment, the Park vehicle fleet and people movers.

Construction in progress includes the costs associated with the construction of new Park facilities, grounds improvements and major upgrades to existing facilities within the Park. Amortization of these assets will commence when the asset is determined to be ready for use or put into service.

c) Art collections

Art collections gifted to the Conservancy are recorded at their appraised fair market values at the date of the gift. Art collections that are purchased by the Conservancy are recorded at the cost of the purchase. The art collections are capitalized on the balance sheet and no amortization is recorded.

The Conservancy is precluded from selling the art in the collections. Should artwork be damaged or stolen, the proceeds of an insurance claim would either be used to restore the artwork, to acquire new pieces of art for the collection or for the direct care of the remaining collection.

d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Conservancy subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and short-term investments, accounts receivable, government remittances receivable and the construction advance receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, notes payable and the construction advance payable.

The Conservancy's financial assets measured at fair value include quoted shares.

3. Significant Accounting Policies (continued)

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are the determination of the useful lives of the capital assets and the amount of the employee benefits receivable and accrued employee benefits. Actual results could differ from these estimates.

4. Cash and Short-Term Investments

Cash and short-term investments consist of cash on hand and balances with banks. Included in cash and short-term investments is restricted cash held in a joint bank account with a construction company for the payment of holdbacks in the amount of $1,480,704 (December 31, 2011, $523,912 and January 1, 2011, $nil).

5. Construction Advance Receivable/Payable

The Province of Manitoba has committed $31 million to assist in funding the construction of the new International Polar Bear Conservation Centre ("IPBCC") and Polar Bear Facilities which will include the Gateway to the Arctic Building, the Polar Bear Animal Holding and Filtration System Building and the Polar Plunge, all of which will be part of Assiniboine Park Zoo's new exhibit called the Journey to Churchill. Under a construction management agreement between the Conservancy and the Province, the Conservancy is acting as the construction manager for the IPBCC and the Polar Bear Facilities which, when completed, will become Provincially owned buildings.

As at December 31, 2012, the Province advanced the Conservancy $14,635,881 (December 31, 2011, $6,074,110 and January 1, 2011, $2,300,000) to fund the construction of the IPBCC and the Polar Bear Facilities. As at December 31, 2012 $16,855,160 (December 31, 2011, $6,402,564 and January 1, 2011, $867,750) in costs were incurred on behalf of the Province, resulting in a construction advance receivable of $2,219,279 (December 31, 2011, $328,454 and January 1, 2011, payable of $1,432,250).

The Conservancy and the Province have a long-term Ground Sublease Agreement which provides the Province with a sublease on the land on which the IPBCC and the Polar Bear Facilities will be located within the Park. A third agreement has been signed, which gives the Conservancy responsibility for operating these buildings. Under the Operations Agreement, the Province will provide future capital funding for required capital repairs and replacements to the IPBCC and the Polar Bear Facilities to ensure that it continues to meet the standards of the Province over the term of the Ground Sublease Agreement. In a fourth agreement, the Province has assumed the responsibility of providing insurance for the IPBCC and the Polar Bear Facilities.

6. Capital Assets

	2012 Cost	2012 Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Park facility improvements	**$ 22,010,055**	**$ 948,107**	**$ 21,061,948**	$ 11,604,402
Grounds improvements	**6,718,718**	**830,002**	**5,888,716**	6,134,648
Park equipment and systems	**7,761,388**	**1,471,845**	**6,289,543**	4,394,660
Moving equipment	**936,316**	**101,475**	**834,841**	483,143
Construction in progress	**26,945,801**	**-**	**26,945,801**	12,045,744
	$ 64,372,278	**$ 3,351,429**	**$ 61,020,849**	$ 34,662,597

	2011 Cost	2011 Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Park facility improvements	$ 11,902,193	$ 297,791	$ 11,604,402	$ -
Grounds improvements	6,410,629	275,981	6,134,648	32,882
Park equipment and systems	4,939,519	544,859	4,394,660	1,186,116
Moving equipment	510,751	27,608	483,143	1,545
Construction in progress	12,045,744	-	12,045,744	10,877,891
	$ 35,808,836	$ 1,146,239	$ 34,662,597	$ 12,098,434

Capital assets include assets contributed to the Conservancy by APB and PGM on January 1, 2011, pursuant to the Asset Transfer Agreements between the entities. The Lyric Theatre and major upgrades to the Pavilion were transferred to the Conservancy and recorded under Park facility improvements at a value of $2,530,935. Other assets contributed and recorded, at that time, under Park equipment and systems and moving equipment were signage, fixtures, plaques and framed art prints totaling $28,564 and two golf carts at $8,595.

Included in construction in progress is capitalized interest of $91,652 (December 31, 2011, $64,399 and January 1, 2011, $nil).

7. Art Collections

The art collections include approximately 4,066 works of art held for public exhibition and education. The art collections include the works of Ivan Eyre, Walter J. Phillips, Clarence Tillenius, E.H. Sheppards' portrait of Winnie the Pooh and A.A. Milne's book, titled "Now We are Six".

On January 1, 2011, works of art were gifted to the Conservancy by PGM at a value of $13,532,891. This value is comprised of works of art purchased by PGM at a cost of $1,400,722 and works of art gifted to PGM and valued by an independent appraiser at the time the gift was made totaling $12,132,169. In addition to the art collections, the Conservancy assumed responsibility for the repayment of a private loan of $150,000 owing by PGM relating to these works of art (Note 10).

For the year ending December 31, 2012, the Conservancy was the recipient of a gift-in-kind that increased its Winnie the Pooh collection (Note 16). The Conservancy did not purchase or dispose of any works of art during the year ending December 31, 2012.

The Conservancy did not purchase any works of art, was not the recipient of any gifted art collections, other than those gifted by PGM, and did not dispose of any works of art during the year ending December 31, 2011.

8. Employee Benefits Receivable and Accrued Employee Benefits

On October 1, 2010 members of CUPE 500 and WAPSO who were previously employed by the City of Winnipeg in Assiniboine Park Zoo and the Conservatory transferred to the employ of the Conservancy. Under the Lease and Funding Agreement between the Conservancy and the City, the City is responsible for funding all labour costs associated with this complement of staff. Accordingly, included in the employee benefits receivable is an amount due from the City of Winnipeg of $231,167 (December 31, 2011, $231,167 and January 1, 2011, $231,167) which represents the vacation pay earned by CUPE 500 and WAPSO employees while they were employed by the City of Winnipeg to September 30, 2010. The liability for this accrued vacation pay is included in accounts payable.

Under the collective agreements with these bargaining groups, employees are also entitled to certain employee benefit payouts on retirement, which will be honored by the Conservancy at a future date when these employees retire. Included in the employee benefits receivable is an amount of $284,036 (December 31, 2011, $324,955 and January 1, 2011, $377,000), which represents the amount due from the City of Winnipeg to fund a sick pay severance liability payable to these employees as of September 30, 2010. Also recorded is the corresponding long-term liability to these employees which will be paid out to them upon retirement. It is expected that these payouts to employees will occur in 2014 and thereafter, and therefore the receivable and liability are both recorded as long-term.

9. Deferred Contributions - Operating

The balance in current deferred contributions - operating at December 31, 2012 represents $107,285 of specially designated funds to be used to offset 2013 operating costs and $41,903 of funds to be used to offset 2013 conservation and research activities. The balance also includes $507,916 of cash that is to be used specifically in maintaining the Leo Mol Sculpture Garden. The Conservancy does not anticipate having to use any of these funds in 2013 and therefore the $507,916 and been classified as long-term in nature.

The balance in non-current deferred contributions - operating at December 31, 2011 represents $412,563 of cash gifted to the ZSM, LMG and PIP in previous years and transferred to the Conservancy in 2011. This cash is to be used to fund various operations of the Conservancy. Additionally, $40,000 (2010, $15,716) of restricted funding was provided to the Conservancy by various sponsors and is being deferred to offset future programming expenses. These cash amounts are expected to be used in 2012 and have therefore been classified as current in nature.

The balance in non-current deferred contributions - operating (long term) at December 31, 2011 includes cash of $316,063 that was to be used specifically in maintaining the Leo Mol Sculpture Garden.

The balance in current deferred contributions - operating at January 1, 2011 includes operating funding of $75,768 received from the City of Winnipeg that was carried forward and applied against expenses incurred in 2011 and a gift in kind relating to insurance of $20,281.

10. Notes Payable

During the year, the Conservancy signed a commitment letter with a financial institution for a $17 million loan facility for the purpose of bridge financing the construction of the Journey to Churchill. To December 31, 2012, the Conservancy has drawn $6,000,000 against this facility to finance construction costs and plans to use the remaining amount to substantially complete the Journey to Churchill in 2014. The demand loan is secured with a guarantee signed by the City of Winnipeg and is repayable in full by December 31, 2016. Interest on the loan is at prime less 0.75%.

10. Notes Payable (continued)

During the prior year, the Province of Manitoba advanced the Conservancy $2,900,000 in bridge financing for the completion of the International Polar Bear Conservation Centre. The advance is secured by a $2,900,000 promissory bearing interest at prime plus .25%, compounded monthly, with no monthly repayments. The note is repayable on demand on or before December 31, 2013 and is therefore classified on the balance sheet as a current liability. The note payable, together with interest accrued thereon, will be repaid by its due date.

On January 1, 2011, in conjunction with the gifting of the art collections by PGM, the Conservancy assumed responsibility for the repayment of a private loan. As at December 31, 2012, the balance owing on this loan is $75,000 (December 31, 2011, $150,000 and January 1, 2011, $nil). The private loan was fully repaid on January 2, 2013.

Expected principal repayments over the next four years on the two notes are as follows:

2013	$ 2,975,000
2014	-
2015	-
2016	6,000,000

Included in administration expense is interest on the note payable to the Province of $96,652 (December 31, 2011 and January 1, 2011, $nil).

11. Deferred Contributions - Capital

During the year, the Conservancy received contributions totaling $20,192,286 (December 31, 2011, $15,707,145 and January 1, 2011, $13,697,978) related to designated projects. These restricted contributions are deferred and recognized as revenue on the same basis as the amortization expense related to the designated projects.

	December 31, 2012	December 31, 2011
Balance, beginning of year	**$ 31,341,773**	$ 14,287,677
Contributions received (Note 12)	**20,192,286**	15,707,145
Contributions transferred from other Park entities	**-**	2,568,094
Amortization of deferred contributions	**(2,941,064)**	(1,221,143)
Balance, end of year	**$ 48,592,995**	$ 31,341,773

Pledges made by donors are not recognized as contributions until received from the donor in cash or in kind.

12. City of Winnipeg

The City of Winnipeg is a significant operating partner of the Conservancy, providing the majority of its operating funding in 2012 through an annual operating grant. The City has also committed to providing a 25% investment in the capital redevelopment of Assiniboine Park, as described in Note 1, and provides an annual capital grant for the capital refurbishment of existing buildings, exhibits and amenities in the Park.

12. City of Winnipeg (continued)

On October 1, 2010, City of Winnipeg staff employed in the Assiniboine Park Zoo (the "Zoo") and the Conservatory became employees of the Conservancy and funding for their associated salaries and benefits was transferred to the Conservancy from the City. The Conservancy assumed responsibility for all Zoo and Conservatory operations in 2011.

On January 1, 2011, under service level agreements with Public Works and Municipal Accommodations, the Conservancy contracted with the City for grounds keeping, snow removal, custodial and maintenance services. Costs associated with these service level agreements are reflected in wages, benefits and contract services on the Statement of Operations. On December 31, 2011 these service level agreements ended and the Conservancy assumed responsibility for all aspects of Park operations through its own work force.

A summary of the City of Winnipeg account balances and transactions as at and for the year ending December 31, 2012 are noted below.

City of Winnipeg balances

As described in Note 8, as at December 31, 2012, the Conservancy has a long-term receivable of $515,203 (December 31, 2011, $556,122 and January 1, 2011, $608,167) from the City relating to employee benefits for CUPE 500 who were previously employed by the City.

Included in capital assets at December 31, 2012, are amounts capitalized of $160,037 (December 31, 2011, $248,254 and January 1, 2011, $208,413) relating to grounds improvements, computers, benches, picnic tables, vehicles and safety equipment purchased from the City and work performed on small capital projects by City of Winnipeg employees, through its service level agreements with the Conservancy.

Included in accounts payable and accrued liabilities at December 31, 2012, are amounts due to the City of $137,902 (December 31, 2011 - $319,148 and January 1, 2011, $1,130).

City of Winnipeg transactions

During the year, the Conservancy recognized funding received from the City of Winnipeg into operating revenue as follows:

	2012	2011
2012 funding recognized	**$ 11,867,000**	$ -
2011 funding recognized	**-**	10,742,055
2010 funding recognized	**-**	75,768
Transfer from City reserves	**-**	148,590
Cash gift	**8,493**	-
Gifts in kind (Note 16)	**-**	20,281
	$ 11,875,493	$ 10,986,694

Additionally, during the year, the Conservancy received capital contributions of $13,323,000 (2011, $10,423,000) from the City of Winnipeg. These amounts have been included as deferred contributions - capital, on the balance sheet, and are recognized into revenues consistent with the amount of amortization calculated on the capital assets that the funding was used to acquire.

Included in direct costs of park revenues are advertising costs paid to the City of $15,002 (2011, $14,503).

12. City of Winnipeg (continued)

Included in administration expense are licenses, land lease and human resource costs paid to the City of $6,424 (2011, $3,687). Included in operations expense are water and waste, horticulture, maintenance and fleet costs paid to the City of $96,935 (2011, $192,681). Included in utilities expense are water costs paid to the City of $278,716 (2011, $289,766). Included in wages, benefits and contract services are contract services under service level agreements with Public Works and Municipal Accommodations of $15,080 (2011, $1,547,162).

13. Gifts From Other Park Entities

Effective August 1, 2010, the ZSM, a not-for-profit organization operating in the Park, transferred its gift shop, cafe and education programming operation to the Conservancy. In December 2011, the Asset Transfer Agreement between the two parties was signed, which resulted in the formal transfer of the ZSM's cash and short-term investments, capital assets and related deferred contributions and endowments. Included in gifts and sponsorships revenue is a transfer of the ZSM's unrestricted net assets as of January 1, 2011 of $296,664.

Effective January 1, 2011, PIP, APB, PGM and LMB, not-for-profit companies operating in the Park, transferred their operations to the Conservancy. In December 2011, Asset Transfer Agreements between the Conservancy and each of these parties were signed, which resulted in a formal transfer of cash and short-term investments, capital assets and related deferred contributions, art collections and endowments. Included in gifts and sponsorships revenue is a transfer of the group's unrestricted net assets as of January 1, 2011 of $212,591.

14. Endowments Held by the Winnipeg Foundation

The Conservancy is the beneficiary of five endowment funds, held and controlled by the Winnipeg Foundation, as of December 31, 2012. The Winnipeg Foundation retains title to the investments and receives a management fee not to exceed one-half percent of the opening market value of the contributed capital in the Funds at October 1 each year. The Conservancy receives an annual income distribution based on the Foundation's income distribution policy, net of the management fee and investment fees.

During the prior year, APB transferred its endowment funds, The Lyric Program Fund and the Assiniboine Park Bandshell Inc. Fund held by the Winnipeg Foundation, to the Conservancy. The purpose of these Funds is to provide income to support the operation and ongoing maintenance of the Lyric Theatre. The market value of The Lyric Program Fund and Assiniboine Park Bandshell Inc. Fund, at the time of the transfer, was $68,512 and $220,845 respectively. The market value of The Lyric Program Fund and Assiniboine Park Bandshell Inc. Fund, at December 31, 2012 was $67,265 (2011, $63,172) and $222,518 (2011, $209,231).

During the prior year, the ZSM transferred its endowment fund, The Assiniboine Park Zoo Endowment Fund held by the Winnipeg Foundation, to the Conservancy. The purpose of this fund is to provide income to support the operation and on-going maintenance of Assiniboine Park Zoo. The market value of The Assiniboine Park Zoo Endowment Fund, at December 31, 2012, was $16,679 (2011, $15,620).

14. Endowments Held by the Winnipeg Foundation (continued)

During the year, the Conservancy established two new funds with the Winnipeg Foundation. The Assiniboine Park Conservancy Fund has been designated as a general fund, to be used at the discretion of the Board of Directors of the Conservancy. The purpose of the Leo Mol Sculpture Garden Fund is to upkeep, maintain and sustain the Leo Mol Sculpture Garden located within the Assiniboine Park. The market value of the Assiniboine Park Conservancy Fund at December 31, 2012, was $12,588. The market value of the Leo Mol Sculpture Garden Fund was $154,955.

During the year, the Winnipeg Foundation distributed $10,477 (2011, $9,698) in income to the Conservancy from these Funds.

15. Capital Management

The objective of the Board of Directors of Assiniboine Park Conservancy Inc., when managing capital, is to safeguard the ability of the Conservancy to continue as a going concern. The Board of Directors considers capital management in two components: First, for the Conservancy's capital activities, capital is raised through government contributions and private sector fundraising. Authorization of capital projects is provided as funding for each redevelopment project is confirmed. Second, for the Conservancy's operating activities, the Board seeks to operate with a modest surplus annually so that sufficient net assets are retained to manage the risk inherent in the Conservancy's expanding operations. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. There have been no significant changes to the Board's capital management policy in the past year.

16. Non-Monetary Transactions

During the year, the Conservancy received insurance coverage of $nil (2011, $20,281), advertising and other costs of Boo at the Zoo of nil (2011, $45,838) and other amounts of $22,376 (2011, $37,434) without consideration. The Conservancy also received goods and services without consideration which were capitalized as capital assets of $nil (2011, $49,605) and capitalized as art collections of $9,661 (2011, $nil).

The transactions were recorded at the fair value of the goods or services received.

17. Commitments

The Conservancy has numerous capital contractual agreements with companies to construct the Polar Bear Facilities, Journey to Churchill exhibitory and interpretation and other ongoing capital projects at the Park. Total contract values committed to under signed agreements as at December 31, 2012 is $20,744,393. These amounts are to be paid over the construction period of the projects expected to be ready for use in future years.

2 0 1 2 O T H E R

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

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

His Worship the Mayor
and Members of the Council
of the City of Winnipeg

Ladies and Gentlemen:

Pursuant to the requirements of The City of Winnipeg Charter, the Sinking Fund Trustees submit the 2012 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported a net loss of $4,176,000 for the year ended December 31, 2012 and a balance of deficit in the amount of $6,403,000 as at December 31, 2012.

The rates of interest earned by the Fund for the years 2003 to 2012 are shown below:

2003................….6.02%	2008........…....……5.15%
2004..........…...…6.27%	2009................……4.39%
2005................….5.55%	2010....…....…....….3.81%
2006..................…5.41%	2011.......……………3.41%
2007................….5.46%	2012.............…...…2.95%

Changes in the sinking fund reserve during 2012 are summarized as follows. The total reserve for retirement of debenture debt increased to $370,194,000 as at December 31, 2012 (2011 - $349,382,000) of which $117,000,000 represents full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

Sinking funds are invested in securities with maturities which closely match the current position of related reserves.

Respectfully submitted,

E. STEFANSON Chairman

J. L. FERRIER Trustee

N. THEODOROU Trustee

G. STESKI Trustee

L. DERRY Secretary

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

		2012		2011
ASSETS				
Cash and short-term investments (Note 3)	**$**	**43,272**	$	2,497
Accrued interest receivable		**4,707**		4,822
Investment in bonds and debentures (Schedule 1)		**318,515**		342,539
	$	**366,494**	$	349,858
LIABILITIES, RESERVE AND DEFICIT				
Accrued interest payable (Note 5)	**$**	**2,688**	$	2,688
Accrued liabilities		**15**		15
		2,703		2,703
Reserve for retirement of debenture debt (Note 6)		**370,194**		349,382
(Deficit) (Note 9)		**(6,403)**		(2,227)
	$	**366,494**	$	349,858

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF LOSS

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

	2012	2011
Interest income (Schedule 2)	**$ 15,173**	$ 15,704
Interest requirements - debenture debt reserves	**(11,951)**	(10,960)
Interest requirements - Manitoba Hydro bonds (Note 8)	**(8,023)**	(8,044)
(Deficit) of interest earned under requirements	**(4,801)**	(3,300)
Net gain on disposal of investments	**758**	3,230
	(4,043)	(70)
Administration expenses	**133**	122
Net loss for the year	**$ (4,176)**	$ (192)

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF DEFICIT

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

	2012	2011
Balance, beginning of year	**$ (2,227)**	$ (2,035)
Less:		
Net loss for the year	**(4,176)**	(192)
Balance, end of year (Note 9)	**$ (6,403)**	$ (2,227)

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)

	2012	2011
Balance, beginning of year	**$ 349,382**	$ 329,561
Add:		
Installments - City of Winnipeg (Note 8)	**8,861**	8,861
Interest credited - debenture debt reserves	**11,951**	10,960
Balance, end of year	**$ 370,194**	$ 349,382

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF CASH FLOWS

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

	2012	2011
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss	**$ (4,176)**	$ (192)
Income accrued - bond residues and coupons	**(468)**	(256)
Net bond premium amortization	**3,324**	1,448
Interest requirements - debenture debt reserves	**11,951**	10,960
Net gain on disposal of investments	**(758)**	(3,230)
Change in non-cash operating accounts	**114**	(858)
	9,987	7,872
FINANCING ACTIVITIES		
Installments - City of Winnipeg (Note 8)	**8,861**	8,861
INVESTING ACTIVITIES		
Acquisition of investments in bonds and debentures	**(19,236)**	(134,082)
Proceeds from bond and debenture sales	**15,078**	77,719
Proceeds from bond and debenture maturities	**26,085**	12,911
	21,927	(43,452)
Increase (Decrease) in cash and short-term investments	**40,775**	(26,719)
Cash and short-term investments, beginning of period	**2,497**	29,216
Cash and short-term investments, end of period	**$ 43,272**	$ 2,497
Cash and short-term investments consists of:		
Cash	**$ 718**	$ 2,497
Short-term investments	**42,554**	-
	$ 43,272	$ 2,497

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, 2012
(in thousands of dollars)

1. *Status of The Sinking Fund Trustees of The City of Winnipeg*

The Sinking Fund Trustees of The City of Winnipeg (the "Fund") was established as a body corporate by subsection 314(1) of The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba ("the province"). The City of Winnipeg Act was repealed by the province effective January 1, 2003 and replaced by The City of Winnipeg Charter, a statute of the province. Under section 520 of The City of Winnipeg Charter, The Sinking Fund Trustees continue to have the same rights and obligations as outlined under the former City of Winnipeg Act for Sinking Fund debentures issued prior to December 31, 2002 and any future refinancing of these debentures.

2. *Significant Accounting Policies*

These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises.

The significant accounting policies are summarized as follows:

a) Investment in bonds and debentures

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

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

For these bonds and debentures, which are measured at amortized cost, the Fund recognizes in net income an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net income in the period the reversal occurs.

b) Use of estimates

Financial statements prepared in accordance with Canadian Accounting Standards for Private Enterprises require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Actual results could differ from these estimates.

3. *Cash and Short-Term Investments*

Cash is held on deposit with a major Canadian Chartered Bank.

Short-term investments represent short-term debt securities of Schedule 1 Canadian Chartered Banks with a term to maturity of less than one year.

4. Interest Rate and Credit Risk

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2012 was 2.95% (2011 - 3.41%).

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2012 are as follows:

	2012		2011	
Term To Maturity	**Par Value**	**Book Value**	Par Value	Book Value
Less than one year	**$ 132,459**	**$ 132,758**	$ 26,085	$ 26,553
Two to five years	**125,291**	**125,757**	217,820	220,609
Greater than five years	**60,000**	**60,000**	94,526	95,377
	$ 317,750	**$ 318,515**	$ 338,431	$ 342,539

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, 2012 the Fund's maximum credit risk exposure at fair market value was $370,249 (2011 - $356,395).

The Fund limits credit risk by investing in short-term investments and bonds and debentures of investees that are considered to be high quality credits (rated A or higher) and by utilizing an internal Investment Policy Guideline monitoring process.

5. Purchase of Winnipeg Hydro by Manitoba Hydro

Manitoba Hydro purchased Winnipeg Hydro from The City of Winnipeg on September 3, 2002. In accordance with the Asset Purchase Agreement between The City of Winnipeg and Manitoba Hydro and The Purchase of Winnipeg Hydro Act, a statute of the Legislature of the Province of Manitoba, the Sinking Fund is required to:

a) Hold the Manitoba Hydro Electric Board bonds issued by Manitoba Hydro to the City in connection with the Winnipeg Hydro portion of the City's debt. The bonds were issued for the purpose of enabling the City to repay the Winnipeg Hydro portion of the City's debt, and were issued with identical terms and conditions as to par value, interest and date of maturity as the Winnipeg Hydro portion of the City's debt. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity.

   The book value of the Manitoba Hydro Electric Board bonds as at December 31, 2012 amounted to $117,000 (2011 - $117,000).

b) Pay all principal and interest received on the Manitoba Hydro bonds to the City for the payment of principal and interest on the Winnipeg Hydro portion of the City's debt.

Accrued interest receivable and identical offsetting accrued interest payable on the Manitoba Hydro bonds amounted to $2,688 at December 31, 2012 (2011 - $2,688).

5. *Purchase of Winnipeg Hydro by Manitoba Hydro (continued)*

As the receipt of the Manitoba Hydro bonds represents full funding of all future Sinking Fund installments and interest related to the Winnipeg Hydro portion of the City's Sinking Fund debt, no further amounts are required to be levied and contributed to the Sinking Fund in respect of this portion of the debt.

6. *Reserve for Retirement of Debenture Debt*

As at December 31, 2012 the reserve for retirement of debenture debt is allocated towards Sinking Fund debentures as follows:

Maturity Year	Amortized Cost: Hydro Portion	Amortized Cost: Other Purposes	Amortized Cost: Total	Maturity Value
2013	$ 10,000	$ 86,800	$ 96,800	$ 100,000
2014	15,000	75,735	90,735	100,000
2015	12,000	70,965	82,965	100,000
2017	20,000	19,694	39,694	50,000
2029	60,000	-	60,000	60,000
	$ 117,000	$ 253,194	$ 370,194	$ 410,000

The amortized cost of the reserve for retirement of debenture debt is calculated using an assumed annual discount rate of 5% which was set by The City of Winnipeg in the applicable Sinking Fund Debenture By-laws.

As at December 31, 2012, the reserve for retirement of debenture debt includes $117,000 (2011 - $117,000) representing full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

7. *Capital*

The Fund's objectives when managing capital are:

a) To pay The City of Winnipeg at or before the maturity of each respective sinking fund debenture all amounts collected by way of levy together with interest earned thereon.

b) To invest all levies received in accordance with the guidelines outlined in the Fund's Statement of Investment Policies and Procedures in order to maximize the investment return on the Fund within the allowable level of risk mandated by The City of Winnipeg Act.

The fund invests in securities with maturities which closely match the current sinking fund debenture maturity dates.

8. *Related Party Transactions*

The Sinking Fund and The City of Winnipeg entered into an Investment Management Agreement on April 1, 2011, whereby the City of Winnipeg provides investment management and administrative services to the Fund for an annual management fee. The Fund is the managed party under the Investment Management Agreement.

The Fund purchased $2,033 Par Value City of Winnipeg 9.375% debentures due February 11, 2013 at a price of $107.86 and effective yield of 1.30% on February 17, 2012. This purchase was in the normal course of operations for the Fund and was at fair value.

8. *Related Party Transactions (continued)*

In addition, for the year ended December 31, 2012, the Fund and the City of Winnipeg entered into the following transactions which were all in the normal course of operations for the Fund:

The City of Winnipeg paid $8,861 (2011 - $8,861) in levies to the Fund at the amounts prescribed by the applicable Sinking Fund debenture By-laws.

The City of Winnipeg paid $1,801 (2011 - $129) of coupon interest to the Fund on City of Winnipeg debentures held by the Fund. The coupon interest payments were at fair value.

The Fund paid $8,023 (2011 - $8,044) of Manitoba Hydro Electric Board bond coupon interest to the City of Winnipeg. These coupon interest payments were at the amount prescribed by The Purchase of Winnipeg Hydro Act.

The Fund paid investment management fees of $108 (2011 - $75) to the City of Winnipeg as required under the Investment Management Agreement.

9. *Sinking Fund Deficit*

The Fund will pay to the City of Winnipeg the amount of levies actually received by the Fund together with accumulated interest in respect thereof. In the event of a Sinking Fund deficit at the maturity of a Sinking Fund issue, The City of Winnipeg Charter, Section 304(2), authorizes The City of Winnipeg, if it so chooses, to apply to the Minister of Finance to borrow an amount of money sufficient to discharge the Sinking Fund debt in full.

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

Schedule 1

SCHEDULE OF INVESTMENTS

As at December 31
(in thousands of dollars)

	2012					2011			
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Market Value	%	Book Value	%
Investment in bonds and debentures									
Government of Canada and Government of Canada guaranteed	**$ 5,358**	**$ 5,690**	**2**	**$ 5,625**	**2**	$ 5,870	2	$ 5,761	2
Provincial and Provincial guaranteed (Notes 5 and 6)	**220,037**	**223,115**	**69**	**220,599**	**69**	223,719	64	218,660	64
Municipal	**49,275**	**51,160**	**16**	**49,595**	**16**	76,726	22	73,351	21
City of Winnipeg	**19,859**	**20,085**	**6**	**19,943**	**6**	21,461	6	21,307	6
	$ 294,529	**300,050**	**93**	**295,762**	**93**	327,776	94	319,079	93
Bond residues and coupons									
Provincial		**22,939**	**7**	**22,753**	**7**	23,800	6	23,460	7
		$ 322,989	**100**	**$ 318,515**	**100**	$ 351,576	100	$ 342,539	100

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

Schedule 2

SCHEDULE OF INTEREST INCOME

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

	2012	2011
Interest on bonds and debentures	**$ 17,995**	$ 16,711
Income accrued - bond residues and coupons	**468**	256
Securities lending income	**20**	29
Bank and short-term investments interest	**14**	156
Net bond premium amortization	**(3,324)**	(1,448)
	$ 15,173	$ 15,704

PHOTO: Darcy Finley

THE CITY OF WINNIPEG
SINKING FUND

STATEMENT OF FINANCIAL POSITION

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

	2012	2011
ASSETS		
Investment in bonds and debentures (Schedule 1)	**$ 13,966**	$ 12,227
Call loans - General Revenue Fund (Note 3)	**3,458**	86
Accrued interest receivable	**188**	164
	$ 17,612	$ 12,477
RESERVE		
Reserve for retirement of debenture debt	**$ 17,612**	$ 12,477

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SINKING FUND

STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT

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

	2012	2011
Balance, beginning of year	**$ 12,477**	$ 8,246
Add:		
Installments - Waterworks System	**2,836**	2,836
Installments - Transit System	**1,205**	927
Interest income (Schedule 2)	**658**	500
Gain on sale of assets	**292**	-
Installments - General Revenue Fund	**189**	-
	17,657	12,509
Deduct:		
Transfer to General Revenue Fund - investment management fees	**45**	32
Balance, end of year	**$ 17,612**	$ 12,477

See accompanying notes and schedules to the financial statements

1. Status of The City of Winnipeg Sinking Fund

The City of Winnipeg Act was repealed by the Province of Manitoba ("Province") effective January 1, 2003 and replaced by The City of Winnipeg Charter, a statute of the Province. Under the new charter the Public Service became responsible for managing the sinking funds of any sinking fund debenture issued after January 1, 2003.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with the significant accounting policies summarized as follows:

a) Bonds and debentures

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

b) Bond residues and coupons

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

3. Call Loans - General Revenue Fund

Call loans represent short-term investments held by the General Revenue Fund which are callable by The City of Winnipeg Sinking Fund ("Fund") upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

4. Interest Rate and Credit Risk

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2012 was 3.8% (2011 - 3.8%).

4. Interest Rate and Credit Risk (continued)

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2012 are as follows:

Term To Maturity	**Par Value**	**Book Value**
Greater than five years	$ 13,273	$ 13,966

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, 2012 the Fund's maximum credit risk exposure at fair market value was $19,644 thousand.

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy adopted by City Council.

THE CITY OF WINNIPEG
SINKING FUND

Schedule 1

SCHEDULE OF INVESTMENTS

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

	2012					**2011**	
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Book Value	%
Investment in bonds and debentures							
Provincial and Provincial guaranteed	**$ 872**	**$ 1,187**	**7**	**$ 954**	**7**	$ 956	8
City of Winnipeg	**4,881**	**5,869**	**37**	**4,739**	**34**	5,929	48
Other Municipalities	**7,520**	**8,942**	**56**	**8,273**	**59**	5,342	44
	$ 13,273	**$ 15,998**	**100**	**$ 13,966**	**100**	$ 12,227	100

THE CITY OF WINNIPEG
SINKING FUND

Schedule 2

SCHEDULE OF INTEREST INCOME

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

	2012	2011
Interest on bonds and debentures	**$ 645**	$ 494
Call fund interest	**13**	6
	$ 658	$ 500

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(stated in Canadian dollars)

	As at March 31 2012	As at March 31 2011 (unaudited)	As at April 1 2010 (unaudited)
ASSETS (Note 12)			
CURRENT:			
Cash	**$ 436,925**	$ 334,933	$ 814,125
Restricted cash (Note 5)	**47,654**	48,317	704,965
Short term investments	**12,536,193**	12,890,747	13,668,891
Trade and other receivables (Note 6)	**1,220,453**	854,100	590,184
Prepaids and other	**332,147**	329,242	362,320
Investment held for sale	**1,400,000**	1,400,000	1,400,000
Current portion of tenant receivables	**6,761**	-	-
	15,980,133	15,857,339	17,540,485
LOANS RECEIVABLE (Note 8)	**-**	-	269,198
LONG TERM TENANT RECEIVABLES	**34,499**	-	12,679
PROPERTY, PLANT AND EQUIPMENT (Notes 9, 13 and 14)	**16,097,290**	16,824,166	17,080,883
INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS (Note 10)	**59,073,494**	59,749,767	60,428,737
DEFERRED CHARGES	**86,968**	140,756	194,545
	$ 91,272,384	$ 92,572,028	$ 95,526,527
LIABILITIES			
CURRENT:			
Accounts payable and accrued liabilities (Note 11)	**$ 1,815,146**	$ 1,392,805	$ 2,465,626
Funds held in trust	**231,076**	245,092	308,092
Current portion of mortgage payable (Note 12)	**322,086**	304,453	287,786
Current obligation under finance lease (Note 13)	**170,008**	159,959	144,183
	2,538,316	2,102,309	3,205,687
LOANS PAYABLE (Note 14)	**1,711,636**	1,711,636	1,711,636
PREPAID LAND RENTS	**623,468**	631,555	639,641
DEFERRED REVENUE	**221,640**	165,750	76,166
DEFERRED CONTRIBUTIONS FROM SHAREHOLDERS	**17,178,574**	17,861,765	18,996,077
LONG TERM MORTGAGE PAYABLE (Note 12)	**11,753,263**	12,075,349	12,379,802
OBLIGATION UNDER FINANCE LEASE (Note 13)	**242,023**	407,035	592,594
	34,268,920	34,955,399	37,601,603
SHAREHOLDERS' EQUITY			
SHARE CAPITAL:			
Authorized:			
Unlimited number of common shares			
Issued:			
3 common shares	**3**	3	3
	57,003,461	57,616,626	57,924,921
NET EQUITY	**57,003,464**	57,616,629	57,924,924
	$ 91,272,384	$ 92,572,028	$ 95,526,527

The accompanying notes are an integral part of this Consolidated Statement.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2012
(stated in Canadian dollars)

	2012	2011 (unaudited)
REVENUE:		
Rental	**$ 271,301**	$ 269,210
The Forks Market	**2,022,207**	1,985,052
Theatre	**624,113**	1,111,895
Parking	**5,184,362**	4,839,981
Public amenities recoveries	**275,691**	255,655
Lease	**1,303,030**	1,298,369
Events revenues and recoveries	**52,643**	107,061
Sponsorship and grants	**683,226**	599,327
Investment	**358,168**	500,710
Miscellaneous	**118,578**	103,192
Security services recoveries	**80,683**	88,161
Recovery of prior years' expenses	**101,413**	226,225
	11,075,415	11,384,838
EXPENSES:		
General and administrative	**1,285,821**	1,113,105
Mortgage finance fee	**3,788**	3,788
Investment costs	**54,764**	100,872
Rental	**199,503**	200,122
Theatre	**951,943**	1,270,526
The Forks Market	**1,702,145**	1,718,993
Parking	**2,266,031**	2,372,886
Programming and events	**436,499**	473,505
The Forks Site	**1,409,365**	1,230,415
Planning and development	**498,522**	285,256
Marketing costs	**443,852**	395,956
Sponsorship	**94,558**	158,383
Security services	**89,485**	85,267
Miscellaneous	**36,025**	55,347
	9,472,301	9,464,421
OPERATING INCOME BEFORE THE FOLLOWING	**1,603,114**	1,920,417
Interest expense	**(718,201)**	(744,976)
INCOME BEFORE AMORTIZATION	**884,913**	1,175,441
Amortization	**2,381,065**	2,240,373
LOSS BEFORE THE FOLLOWING	**(1,496,152)**	(1,064,932)
Unrealized and realized gains	**141,675**	144,897
Amortization of deferred contributions from shareholders	**1,200,812**	1,200,812
Donations	**(350,000)**	(300,000)
Write-down of loan receivable	**(109,500)**	(289,072)
NET LOSS FOR THE YEAR	**$ (613,165)**	$ (308,295)

The accompanying notes are an integral part of this Consolidated Statement.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2012
(stated in Canadian dollars)

	Share Capital	Donated Land	Contributed Surplus	Retained Earnings	Total
BALANCE AT APRIL 1, 2010	$ 3	$ 8,000,000	$ 39,310,266	$ 10,614,655	$ 57,924,924
Effect of the application of IFRS	-	-	-	-	-
BALANCE AT APRIL 1, 2010, restated	3	8,000,000	39,310,266	10,614,655	57,924,924
Comprehensive income	-	-	-	(308,295)	(308,295)
BALANCE AT MARCH 31, 2011	3	8,000,000	39,310,266	10,306,360	57,616,629
Comprehensive income	-	-	-	(613,165)	(613,165)
BALANCE AT MARCH 31, 2012	$ 3	$ 8,000,000	$ 39,310,266	$ 9,693,195	$ 57,003,464

The accompanying notes are an integral part of this Consolidated Statement.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2012
(stated in Canadian dollars)

	2012	2011 (unaudited)
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	**$ (613,165)**	$ (308,295)
Adjustments for:		
Amortization	**2,381,065**	2,240,373
Amortization of deferred contributions	**(1,200,812)**	(1,200,812)
Unrealized losses	**-**	348,377
	567,088	1,079,643
Net changes in working capital balances		
Trade and other receivables	**(366,353)**	(263,916)
Prepaids and other	**25,351**	36,867
Accounts payable and accrued liabilities	**422,341**	(1,072,821)
Restricted cash	**663**	656,648
Funds held in trust	**(14,016)**	(63,000)
	635,074	373,421
FINANCING ACTIVITIES		
Deferred charges	**25,532**	50,000
Prepaid land rents	**(8,087)**	(8,087)
Deferred revenue	**55,890**	89,584
Deferred contributions received	**517,621**	-
Repayment of mortgage payable	**(304,454)**	(287,785)
Repayment of obligation under finance lease	**(154,963)**	(169,783)
	131,539	(326,071)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(977,916)**	(1,304,686)
Short term investments	**354,555**	778,144
Tenant receivables advanced	**(41,260)**	-
	(664,621)	(526,542)
INCREASE (DECREASE) IN CASH		
during the year	**101,992**	(479,192)
CASH, beginning of year	**334,933**	814,125
CASH, end of year	**$ 436,925**	$ 334,933

The accompanying notes are an integral part of this Consolidated Statement.

1. *Purpose of the Corporation*

Mission:

The mission of the organization is to act as a catalyst, encouraging activities for people in downtown through public and private partnerships and revitalization strategies; and to work to ensure financial self-sufficiency.

North Portage shall be a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, educational and entertainment facilities.

The Forks shall be developed as a "Meeting Place", a special and distinct, all season gathering and recreational place at the junction of the Red and Assiniboine Rivers, through a mixed use approach including recreational, historical and cultural, residential and institutional and supportive commercial uses.

Corporation Background:

North Portage Development Corporation (the "Corporation" or "NPDC") was incorporated under the Corporations Act of Manitoba on December 13, 1983 and owns land and parking facilities in the North Portage area of Winnipeg, Canada. NPDC is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg.

The Forks Renewal Corporation ("FRC"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on July 24, 1987 and owns land known as The Forks Winnipeg, Canada, and operates The Forks Market.

North Portage Theatre Corporation, ("NPTC"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on May 27, 1986 and owns the IMAX Theatre at Portage Place, Winnipeg, Canada.

3898211 Manitoba Ltd., a subsidiary of NPTC, was incorporated under the Corporations Act of Manitoba on September 16, 1998 and operates the IMAX Theatre at Portage Place, Winnipeg, Canada.

FNP Parking Inc. ("FNP"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on November 6, 2006 and operates various parking locations in downtown Winnipeg, Canada including The Forks.

The Corporation is not subject to tax under provision 149(1)(d) of the Income Tax Act.

2. Application of the International Financial Reporting Standards (IFRS)

The Corporation has elected to early adopt, as of April 1, 2010, the International Financial Reporting Standards (IFRS) issued but not yet effective at March 31, 2012 as follows;

Standard	Effective Date
IFRS 1 First Time Adoption of IFRS (amended)	July 1, 2013
IFRS 10 Consolidated financial statements	January 1, 2013
IFRS 11 Joint arrangements	January 1, 2013
IFRS 12 Disclosure of interests in other entities	January 1, 2013
IFRS 13 Fair value measurement	January 1, 2013
IAS 19 Employee benefits (amended)	January 1, 2013
IAS 27 Separate financial statements (amended)	January 1, 2013
IAS 28 Investments in associates and joint ventures (amended)	January 1, 2013

The Corporation has not applied the following IFRS that has been issued but is not yet effective:

Standard	Effective Date
IFRS 9 Financial instruments	January 1, 2015

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

The Corporation anticipates that IFRS 9 will be adopted in the Corporation's consolidated financial statements for the annual period beginning April 1, 2014. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. Accounting Policies

Basis of Preparation:

The consolidated financial statements represent the first annual financial statements of the Corporation and its subsidiaries prepared in accordance with International Financial Reporting Standards. These financial statements are prepared on a going concern basis, under the historical cost model except for certain financial instruments that are measured at revalued amounts or fair values. The accounting policies are summarized below.

Basis of Consolidation:

The financial statements of the Corporation include the financial statements of the Corporation and those of The Forks Renewal Corporation, FNP Parking Inc. and North Portage Theatre Corporation, all of which are controlled by the Corporation.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation.

All intra-corporation transactions, balances, income and expenses are eliminated on consolidation.

3. *Accounting Policies (continued)*

Investment in Subsidiaries:

The Corporation determines whether it is a parent by assessing whether it controls an investee. The Corporation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Revenue Recognition:

Revenue is measured at the fair value of the consideration received or receivable.

Rental and Parking Income:

Rental and monthly parking income is recognized in the period in which the rental agreement relates. Casual parking income is recognized at the time payment is received from the customer.

Theatre Income:

Revenue from the theatre is recognized when the service is provided.

Investment Income:

Investment income is recognized over the passage of time using the effective interest method.

Event, Sponsorship, Government Grants and Recoveries:

Event, sponsorship, government grants and recoveries are recognized in the period in which the related event occurs.

Leasing:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Corporation as Lessor:

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Land Rents:

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the passage of time for which the amount is received.

3. *Accounting Policies (continued)*

Deferred charges:

Deferred charges consist of mortgage financing fees and prepaid building rent. The amounts are being amortized as follows:

Mortgage financing fees	25 years
Prepaid building rent	10 years

The Corporation as Lessee:

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as an obligation under finance lease. Lease payments are allocated between interest expense and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized immediately in comprehensive income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that inducements to enter into operating leases are received, such inducements are recognized as a liability at the outset of the lease. The benefit is recognized as a reduction of rental expense on a straight-line basis over the life of the lease.

Foreign Currencies:

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's presentation currency.

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in comprehensive income in the period in which they arise.

Borrowing Costs:

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

3. *Accounting Policies (continued)*

Government Contributions:

Government grants are recognized when there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in comprehensive income on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to comprehensive income over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in comprehensive income in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Property, Plant and Equipment:

Items of property, plant and equipment are recorded at cost and amortized over their estimated useful lives.

The estimated useful lives, residual values and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Amortization is calculated at the following rates:

Buildings	20-40 years
Building improvements	10-20 years
Equipment and computers	3-10 years
Equipment under finance lease	5 years

Investment Property:

Investment properties are measured at cost, including transaction costs of acquisition, less accumulated amortization and accumulated impairment losses.

Amortization is calculated at the following rates:

Buildings	20-40 years
Infrastructure enhancements	40 years

Impairment of Tangible Assets:

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

3. Accounting Policies (continued)

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

Provisions:

The amount recognized as a provision (if any) is the present value of the best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

Financial Assets:

Purchase and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Corporation. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Corporation has transferred substantially all the risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired.

Loans and Receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include "trade and other receivables" and "long term tenant receivables". They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Short Term Investments:

Investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes recognized in comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized are included in the statement of comprehensive income.

Impairment of Financial Assets:

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and recognized in the statement of comprehensive income.

3. Accounting Policies (continued)

Financial Liabilities:

Financial liabilities (including borrowings) are measured at amortized cost using the effective interest method.

In these financial statements accounts payable and accrued liabilities and long term debt have been classified as other financial liabilities.

Derecognition of Financial Liabilities:

The Corporation derecognizes financial liabilities when the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in comprehensive income.

Determination of Fair Values:

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the method noted below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash, investment, trade and other receivables, trade and other payables: The fair value of cash, investment, trade and other receivables, trade and other payables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect of discounting is material.

Capital Disclosures:

The Corporation's capital consists of surplus and donated land equity. Donated land was recorded at fair value, as approved by the Board of Corporation in FRC, in 1989.

The Corporation's objective in managing capital is to safeguard its ability to continue as a going concern, in order to carry out its mission as described in Note 1.

The corporation prepares a budget each year, allocating expenses to revenue they expect to earn and funding it expects to receive.

An investment policy is in place to guide the Corporation in the management of surplus funds. These guidelines ensure that capital is preserved, rates of return are maximized and funds are available as needed.

4. *Financial Instruments*

IFRS requires disclosure of a three-level hierarchy for fair value measurements based upon the transparency of inputs into the valuation of financial instruments measured at fair value on the balance sheet as follows:

Level 1 - inputs into the valuation methodology include quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 - inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at March 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash	$ 436,925	$ -	$ -	$ 436,925
Restricted cash	$ 47,654	$ -	$ -	$ 47,654
Short term investments	$ 12,536,193	$ -	$ -	$ 12,536,193
Accounts receivable	$ -	$ -	$ 1,220,453	$ 1,220,453

Credit Risk:

Credit risk is the potential that a counterparty to a financial instrument will fail to perform its obligations. Financial instruments which potentially subject the Corporation to credit risk consist principally of receivables and loans receivable.

The maximum exposure of the Corporation to credit risk as of March 31, 2012 is $1,261,713 (2011 - $854,100).

The Corporation is not exposed to significant credit risk since the receivables are with a significant number of customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Fair Value:

The Corporation's carrying value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and funds held in trust approximates their fair values due to the immediate or short term nature maturity of these instruments.

The carrying value of short term investments is valued based upon the market to market basis of accounting for investment values using quoted prices of the individual investments in an active market.

The carrying value of investment in property development is solely based on management's estimate of the net present value of future recoveries on the investment.

The carrying value of long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Corporation for debt with similar terms.

4. Financial Instruments (continued)

Currency Risk:

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest Rate Risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risk from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The interest rate exposure relates to cash, investments and long term debt.

Market Risk:

Market risk is the risk that changes in market prices, interest rates and foreign exchange rate, will affect the Corporation's earnings or the fair values of its financial instruments. The Corporation has market risk attributable to its investments held for trading. The investments held for trading are carried on the balance sheet at the fair market value of the investments, with the change in fair value being recognized as an adjustment on the statements of comprehensive income and net equity.

5. Restricted Cash

Restricted cash consists of cash held in trust by the Corporation for the Weather Protected Walkway System expansion in downtown Winnipeg. The Corporation is managing the accounting and cash disbursement aspect of this project. The liability, in the same amount as the asset, is included in accounts payable and accrued liabilities.

6. Trade and Other Receivables

	March 31, **2012**	March 31, 2011	April 1, 2010
Trade receivables	**$ 571,701**	$ 537,074	$ 215,908
Allowance for doubtful debts	**76,065**	45,636	41,079
Net trade receivables	**495,636**	491,438	174,829
Government remittances	**31,177**	-	-
Other receivables	**693,640**	362,662	415,355
	$ 1,220,453	$ 854,100	$ 590,184

The credit period on sale of goods and services is 30 days. The Corporation has recognized an allowance for doubtful debts against all receivables over 120 days because experience has shown that those amounts are not recoverable. Allowances for doubtful debts are recognized against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience.

6. Trade and Other Receivables (continued)

Aging of receivables that are past due but not impaired:

	March 31, 2012	March 31, 2011
31-60 days	**$ 285,443**	$ 50,932
61-90 days	**21,319**	242,461
91+ days	**226,104**	128,821
Total	**$ 532,866**	$ 422,214

Changes in the allowance for doubtful debts:

	March 31, 2012	March 31, 2011
Balance at beginning of the year	**$ 45,636**	$ 40,415
Impairment losses recognized on receivables	**41,865**	16,195
Amounts written off during the year as uncollectible	**(1,436)**	(10,000)
Amounts recovered during the year	**(10,000)**	(974)
Impairment losses reversed	**-**	-
Balance at end of the year	**$ 76,065**	$ 45,636

In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

7. Investment Held for Sale

On January 8, 2010, the Corporation entered into an agreement with CentreVenture Inc. (a separate entity owned by the City of Winnipeg) to purchase 311 Portage Avenue and to jointly market it with the property at 315 Portage Avenue.

NPDC contributed $1,000,000 in cash and the property at 315 Portage Avenue, valued by management to be $400,000.

Subsequent to the year end, the properties at 311 and 315 Portage Avenue were sold to a third party for $2,800,000, with the Corporation being entitled to one-half of the net proceeds, being equal to the asset's carrying amount of $1,400,000.

8. Loans Receivable

In 2008, a loan was advanced to the Canadian Hostelling Association Inc. in the amount of $300,000. The loan is non-interest bearing with no specific terms of repayment. The terms of the loan receivable stipulate that the loan must be paid back, by the earlier of grant funding or from the operating cash flows from the project and five years from the date of the advance. The loan is secured by a first charge mortgage against the leasehold interest of the Canadian Hostelling Association Inc.

During the previous year, it was determined by management that this loan may not be collectible and as a result, the balance of the loan was written off.

9. Property, Plant and Equipment

	March 31, 2012	March 31, 2011	April 1, 2010
Land	**$ 9,058,281**	$ 9,058,281	$ 9,058,281
Property under construction	**90,964**	125,169	(45,406)
Plant and equipment	**6,000,107**	6,479,096	6,521,883
Equipment under finance lease	**947,938**	1,161,620	1,546,125
Carrying amounts	**$ 16,097,290**	$ 16,824,166	$ 17,080,883

For additional information, see the Consolidated Schedule of Property, Plant and Equipment (Schedule 1).

10. Investment in Properties and Infrastructure Enhancements

	March 31, 2012	March 31, 2011	April 1, 2010
Land	**$ 28,593,084**	$ 28,593,084	$ 28,593,084
Buildings	**9,324,763**	9,517,868	9,863,800
Property under construction	**4,939,520**	4,649,977	4,075,813
Infrastructure enhancements	**16,216,127**	16,988,838	17,896,040
Carrying amounts	**$ 59,073,494**	$ 59,749,767	$ 60,428,737

For additional information, see the Consolidated Schedule of Investment in Properties and Infrastructure Enhancements (Schedule 2).

All of the Corporation's investment property is held under freehold interests.

The fair market values of the Corporation's investment properties are not readily determinable with any level of precision. Further, due to the public nature of the properties, any valuation attributable would have significant uncertainty regarding the ultimate realization of the properties. As a result no disclosures regarding the fair values of the properties are included in these statements.

11. Accounts Payable and Accrued Liabilities

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables	**$ 542,721**	$ 340,071	$ 387,327
Accruals	**1,272,425**	984,517	2,070,315
Government remittances	**-**	68,217	7,984
	$ 1,815,146	$ 1,392,805	$ 2,465,626

The average credit period on purchases is 30 days. The Corporation has financial risk management policies in place to ensure that all payables are paid within the credit terms.

12. Long Term Debt

	March 31, **2012**		March 31, 2011		April 1, 2010	
Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of $82,940. The loan matures on August 1, 2032 and is secured by a general security agreement together with a first charge on the following lease agreements: Cityscape Residence Corp., The Kiwanis Club of Winnipeg Seniors Building Inc., Fred Douglas Place Ltd. and Portage Place Centre Inc.	**$**	**12,075,349**	$	12,379,802	$	12,667,588
Less: current portion		**(322,086)**		(304,453)		(287,786)
	$	**11,753,263**	$	12,075,349	$	12,379,802

Principal repayment terms are approximately:

2013	$	322,086
2014	$	340,739
2015	$	360,474
2016	$	381,352

13. Obligations Under Finance Lease

Leasing Arrangements:

The Corporation leases certain of its equipment under finance leases. The average lease term is 6.5 years (2011 - 7.5 years). The Corporation has options to purchase the equipment for a nominal amount at the end of the lease terms. The Corporation's finance leases are secured by the lessors' title to the leased assets.

Finance Lease Liabilities:

	Minimum Lease Payments **2012**		Minimum Lease Payments 2011	
Not later than one year	**$**	**191,651**	$	191,651
Later than one year and not later than five years		**258,499**		450,150
Less: future finance charges		**(38,119)**		(74,807)
Present value of minimum lease payments	**$**	**412,031**	$	566,994
Included in the consolidated financial statements as:				
- current portion	**$**	**170,008**	$	159,959
- long term portion		**242,023**		407,035
	$	**412,031**	$	566,994

14. *Government Contributions*

	March 31, 2012	March 31, 2011	April 1, 2010
Amounts included in deferred contributions	**$ 16,660,953**	$ 17,861,765	$ 19,062,577
Amounts recognized in income in prior years	**66,311,941**	64,443,508	64,443,508
Annual amortization of deferred contributions	**1,200,812**	1,200,812	-
Amounts recognized in income in the current year	**150,000**	-	-
Donated land	**8,000,000**	8,000,000	8,000,000
Contributed surplus	**39,310,266**	39,310,266	39,310,266
	$ 131,633,972	$ 130,816,351	$ 130,816,351

North Portage Theatre Corporation received a repayable loan from Manitoba Development Corporation in the amount of $1,800,000. The loan bears interest at 10% per annum after demand. The loan is secured by a fixed and specific mortgage and charge on the theatre air rights and the equipment as well as a floating charge over the assets of NPTC. NPTC is required to make principal payments annually equal to 33 1/3% of net income of the IMAX Theatre at Portage Place. Cumulative repayments to date have been $88,364 (2011 - $88,364) resulting in a remaining balance of $1,711,636 (2011 - $1,711,636; 2010 - $1,711,636). At March 31, 2012 no demand had been made by Manitoba Development Corporation for the repayment of the loan.

15. *Share Capital*

Authorized:
Unlimited common shares

	March 31, 2012	March 31, 2011	April 1, 2011
Issued and fully paid:			
3 Common shares	**$ 3**	$ 3	$ 3

The share capital has no par value.

16. *Donated Land*

FRC acquired title and possession of 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and the City of Winnipeg as follows:

Government of Canada	**City of Winnipeg**	**From Core Area Initiative**	**Total**
49 acres	3.3 acres	3.0 acres	55.9 acres

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the FRC Board of Corporation on June 5, 1989. During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg. During 2003, 0.5 acres of donated land were transferred to the City of Winnipeg. During 2007, 1.65 acres of donated land was sold to the City of Winnipeg. The remaining lands under the FRC's ownership are 49.95 acres.

17. Finance Costs

		March 31, 2012		March 31, 2011
Continuing operations:				
Interest on mortgage payable	**$**	**689,824**	$	706,141
Interest on obligations under finance leases		**28,377**		38,835
Total interest expense	**$**	**718,201**	$	744,976

The corporation is the beneficiary of an interest free loan in the amount of approximately $1.7 million, the benefit of which is not reflected in these statements. If interest was considered at prime rate, the benefit would approximate $50,000 per annum.

18. Operating Lease Arrangements

The Corporation as Lessee:

Leasing arrangements:

Operating leases relate to leases of land with lease terms of between 5 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Corporation does not have an option to purchase the leased land at the expiry of the lease periods.

		March 31, 2012		March 31, 2011
Payments recognized:				
Minimum lease payments	**$**	**167,567**	$	168,196
Sub-lease payments received	**$**	**275,297**	$	273,206

The Corporation as Lessor:

Leasing arrangements:

Operating leases relate to the investment property owned by the Corporation with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

19. Commitments

The Corporation has an obligation to operate the Imax Theatre at Portage Place for a 75 year period, ending in 2061. Annual losses from the theatre have ranged from $300,000 - $500,000 in recent years.

FRC has leased parking, storage and an office site at The Forks to December 2016. FNP Parking Ltd. is administering the obligation. The lease, containing renewal options, calls for base monthly payments of $1,667 and provides for payment of utilities and property taxes.

20. Related Party Transactions

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

Compensation of Key Management Personnel:

The remuneration of key management personnel during the year was as follows:

	March 31, 2012	March 31, 2011
Wages and other short-term benefits	**$ 742,493**	$ 729,659

Government Related Entity:

NPDC has elected to apply the exemption regarding the disclosure of transactions and outstanding balances with government related entities.

21. Reconciliation of Prior Periods' Consolidated Financial Statements

Transition to IFRS:

The Corporation's financial statements for the year ending March 31, 2012 are the first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were prepared as described in Notes 2 and 3. The Corporation's March 31, 2011 annual consolidated financial statements were the last financial statements presented using Canadian GAAP.

IFRS's have been adopted retrospectively effective April 1, 2010 and the comparative information presented herein has been restated.

The following table represents the reconciliation of assets, liability and equity from Canadian GAAP to IFRS as at April 1, 2010:

	Previous GAAP	Effect of Transition	IFRS
Property, plant and equipment	$ 21,829,074	$ (4,748,191)	$ 17,080,883
Investment in properties and infrastructure enhancements	$ 55,680,546	$ 4,748,191	$ 60,428,737
Net equity	$ 57,924,924	$ -	$ 57,924,924

22. Approval of the Financial Statements

The financial statements were approved by the Board of the Corporation and authorized for issue on June 21, 2012.

NORTH PORTAGE DEVELOPMENT CORPORATION
CONSOLIDATED SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

(stated in Canadian dollars)

	Land	Property under Construction	Plant and Equipment
Cost			
Balance April 1, 2010	$ 9,058,281	$ (45,406)	$ 22,970,180
Additions	-	170,575	746,225
Disposals	-	-	(12,346)
Balance March 31, 2011	9,058,281	125,169	23,704,059
Additions	-	-	335,594
Disposals	-	-	(280,610)
Transfer to plant and equipment	-	(34,205)	-
Balance March 31, 2012	9,058,281	90,964	23,759,043
Accumulated amortization			
Balance April 1, 2010	-	-	16,448,297
Elimination on disposal of assets	-	-	(12,346)
Amortization expense	-	-	789,012
Balance March 31, 2011	-	-	17,224,963
Elimination on disposal of assets	-	-	(280,610)
Amortization expense	-	-	814,583
Balance March 31, 2012	-	-	17,758,936
Carrying amounts	$ 9,058,281	$ 90,964	$ 6,000,107

Schedule 1

Equipment Under Finance Lease	Total
$ 2,428,676	$ 34,411,731
-	916,800
(283,275)	(295,621)
2,145,401	35,032,910
-	335,594
-	(280,610)
-	(34,205)
2,145,401	35,053,689
882,551	17,330,848
(143,510)	(155,856)
244,740	1,033,752
983,781	18,208,744
-	(280,610)
213,682	1,028,265
1,197,463	18,956,399
$ 947,938	$ 16,097,290

NORTH PORTAGE DEVELOPMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENT
IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

(stated in Canadian dollars)

	Land	Buildings	Property under Construction
Cost			
Balance April 1, 2010	$ 29,124,578	$ 14,753,617	$ 4,075,813
Additions	-	63,129	574,164
Disposals	-	-	-
Funding credit	-	-	-
Balance March 31, 2011	29,124,578	14,816,746	4,649,977
Additions	-	221,037	289,543
Disposals	-	-	-
Balance March 31, 2012	29,124,578	15,037,783	4,939,520
Accumulated amortization			
Balance April 1, 2010	531,494	4,889,817	-
Elimination on disposal of assets	-	-	-
Funding credit	-	-	-
Amortization expense	-	409,061	-
Balance March 31, 2011	531,494	5,298,878	-
Elimination on disposal of assets	-	-	-
Amortization expense	-	414,142	-
Balance March 31, 2012	531,494	5,713,020	-
Carrying amounts	$ 28,593,084	$ 9,324,763	$ 4,939,520

Schedule 2

Infrastructure Enhancements	Total
$ 54,987,472	$ 102,941,480
35,040	672,333
(12,309)	(12,309)
(82,500)	(82,500)
54,927,703	103,519,004
168,506	679,086
(1,293)	(1,293)
55,094,916	104,196,797
37,091,432	42,512,743
(12,309)	(12,309)
(82,500)	(82,500)
942,242	1,351,303
37,938,865	43,769,237
(1,293)	(1,293)
941,217	1,355,359
38,878,789	45,123,303
$ 16,216,127	$ 59,073,494


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CITY HALL

THE CITY OF WINNIPEG
COUNCIL PENSION BENEFITS PROGRAM
(Established under By-law 7869/2001)

STATEMENT OF FINANCIAL POSITION

As at December 31

	2012	2011
ASSETS		
Investments		
Cash and short-term deposits (Note 3)	**$ 56,369**	$ 91,729
Canadian equities (Note 3)	**2,658,690**	2,389,807
	2,715,059	2,481,536
Accrued interest (Note 3)	**20,844**	20,002
Due from the City of Winnipeg	**1,717**	-
Total Assets	**2,737,620**	2,501,538
LIABILITIES		
Accounts payable and accrued liabilities	**49,178**	27,807
Total Liabilities	**49,178**	27,807
NET ASSETS AVAILABLE FOR BENEFITS	**2,688,442**	2,473,731
OBLIGATION FOR PENSION BENEFITS (Note 4)	**3,771,072**	3,220,620
NET ASSETS AVAILABLE FOR BENEFITS LESS OBLIGATION FOR PENSION BENEFITS	**$ (1,082,630)**	$ (746,889)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION BENEFITS PROGRAM
(Established under By-law 7869/2001)

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31

	2012	2011
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg (Note 5)	**$ 313,326**	$ 168,358
Plan members	**106,791**	50,479
	420,117	218,837
Investment income from		
Canadian equities	**51,871**	51,166
Cash and short-term deposits	**507**	746
	52,378	51,912
Current period change in fair value of investments	**16,721**	210,436
Other	**15**	-
Total increase in assets	**489,231**	481,185
DECREASE IN ASSETS		
Administrative expenses		
Actuarial fees	**50,217**	41,507
Investment management, audit and administrative fees	**15,196**	15,699
	65,413	57,206
Benefit payments		
Commuted value benefit	**142,217**	286,880
Pension payments	**66,890**	67,600
	209,107	354,480
Total decrease in assets	**274,520**	411,686
Increase in net assets	**214,711**	69,499
Net assets available for benefits at beginning of year	**2,473,731**	2,404,232
Net assets available for benefits at end of year	**$ 2,688,442**	$ 2,473,731

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION BENEFITS PROGRAM
(Established under By-law 7869/2001)

STATEMENT OF CHANGES IN PENSION BENEFITS OBLIGATION

For the years ended December 31

	2012	2011
OBLIGATION FOR PENSION BENEFITS AT BEGINNING OF YEAR	**$ 3,220,620**	$ 2,187,725
Benefits accrued	**419,581**	170,724
Changes in actuarial assumptions	**180,337**	73,520
Interest accrued on benefits	**159,641**	107,970
Amendment to benefits	**-**	796,560
Plan experience loss	**-**	238,601
Benefits paid	**(209,107)**	(354,480)
OBLIGATION FOR PENSION BENEFITS AT END OF YEAR	**$ 3,771,072**	$ 3,220,620

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION BENEFITS PROGRAM
(Established under By-law 7869/2001)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

1. Description of Plan

a) General

The Council Pension Benefits Program (the "Program") was established on July 18, 2001 by The City of Winnipeg Council Pension Plan By-law No. 7869/2001, which deemed the Program to have come into existence on January 1, 2001. The Program means the benefits program consisting of The City of Winnipeg Council Pension Plan ("Part A" or "Plan") and The City of Winnipeg Council Early Retirement Benefits Arrangement ("Part B"). Part A and Part B are defined pension plans, which provide pension benefits for The City of Winnipeg Council (the "Council") members. All members of Council were required to become members of the Program on January 1, 2001.

b) Contributions

For Part A, members contribute 6 1/2% of their Canada Pension Plan earnings plus 7 1/2% of any earnings in excess of their Canada Pension Plan earnings. The City of Winnipeg (the "City") makes contributions as required, based on the recommendation of the actuary for Part A. The City is responsible for ensuring that the actuarial liabilities of Part A are adequately funded over time. Any surplus disclosed in an actuarial valuation of Part A may be used to reduce the City's required contributions to Part A or used as a contingency reserve to offset possible future losses of Part A.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

c) Retirement pensions

For each member, the Program allows for retirement at or after the age of 55, or following completion of 30 years of service, or when the sum of a member's age plus years of credited service equals 80, or if the member becomes totally and permanently disabled.

The pension formula prior to age 65 is equal to 2%, multiplied by the member's best 5-year average earnings, multiplied by the number of years of credited service. The pension formula after the age of 65 is equal to the member's years of credited service multiplied by the aggregate of 1.5% of the member's best 5-year average Canada Pension Plan earnings plus 2% of the member's best 5-year average non-Canada Pension Plan earnings.

For part A, the amount determined by the pension formula above is reduced by 0.25% for each month by which the member's date of retirement precedes the earliest of the day on which the: member will attain age 60, member would have completed 30 years of service had employment continued, or member's age plus years of service would have totaled 80 had employment continued.

For Part B, the amount payable is equal to the amount determined by the pension formula above less the amount payable under Part A.

Benefits are indexed each July 1 at a rate of 80% of Consumer Price Inflation (Canada) from the date the pension commences to be paid.

1. *Description of Plan (continued)*

d) Deemed retirement

Any Program member who is not retired on December 1 of the taxation year in which the Program member attains age 71 shall be deemed to have retired on that day.

e) Survivor's benefits

On a member's death before retirement Part A provides for survivor's benefits and Part B does not. The Program provides for survivor's benefits on a member's death after retirement.

f) Termination benefits

Upon application and subject to locking-in provisions, deferred pensions or equivalent lump sum benefits with respect to Part A accruals are payable to a Program member when a Program member ceases to be an elected official with the City prior to being eligible to retire under the Program. No benefits are payable under Part B when a Program member ceases to be an elected official with the City prior to being eligible to retire under the Program.

Benefits are indexed each July 1 at a rate of 80% of Consumer Price Inflation (Canada) up to the date the deferred pension commences to be paid.

g) Re-election

If a Program member who is receiving a pension from the Program is re-elected, the Program member's pension will be suspended prior to the Program member becoming an elected official with the City and their years of credited service will be added to the Program member's years of credited service after re-election.

h) Administration

The Program is administered by the Council Pension Benefits Board ("Board") which is comprised of three representatives appointed by the Council, only one of whom may be a Councillor, and the Chief Financial Officer of the City or his or her designate.

2. *Significant Accounting Policies*

a) Basis of presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Program as a separate financial reporting entity, independent of the sponsor and Program members. They are prepared to assist Program members and others in reviewing the activities of the Program for the fiscal period.

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. Canadian accounting standards for pension plans requires the Board, in selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, to comply on a consistent basis with either International Financial Reporting Standards ("IFRS") or Canadian accounting standards for private enterprises ("ASPE"). The Board has chosen to comply on a consistent basis with ASPE.

2. *Significant Accounting Policies (continued)*

b) Financial instruments

i) Initial measurement

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other financing fees and transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

ii) Subsequent to initial recognition

Investments are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in the statement of changes in net assets available for benefits in the period incurred. Other financial instruments are measured at amortized cost.

c) Investments

i) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Plan measures fair value of investments using quoted prices in an active market. The Plan uses closing market prices as a practical expedient for fair value measurement.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of current period change in fair value of investments.

Fair values of investments are determined as follows:

Canadian equities are valued at year-end quoted closing prices.

Cash and short-term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

ii) Income recognition

Income from investments is recorded on an accrual basis and includes interest income, dividends and other income.

d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of net assets, changes in net assets, and related disclosures. Actual results could differ from those estimates. The most significant use of estimates is the assumption used in the actuarial valuation and extrapolation for the obligation for pension benefits (Note 4).

2. *Significant Accounting Policies (continued)*

e) Income taxes

Part A is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, the pension fund is not subject to income taxes.

Part B is a supplemental pension plan where the City pays the full cost of benefits and expenses as they become payable.

3. *Risk Management*

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. Therefore, the objective of investment risk management is to diversify investment assets to reduce the likelihood of a significant reduction in total fund value while achieving the opportunity for gains in the portfolio within acceptable risk parameters. This is achieved by diversifying the investment portfolio within the constraints of the investment policy and objectives by regularly monitoring the Plan's position and market events.

a) Market risk

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.

i) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income and obligation for pension benefits. This risk arises from the differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's interest bearing assets is affected by short-term changes in market interest rates.

Pension liabilities are exposed to the long-term expectation of rate of return on investments as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet pension obligations.

ii) Foreign currency risk

The Plan does not have any foreign currency risk as it only holds investments denominated in Canadian dollars.

iii) Other price risk

The Plan's investments in equities are sensitive to changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. To manage the Plan's other price risk, the Board adopted an indexing strategy that diversifies risk over a wide range of investments that mirror the liabilities of the Plan.

As at December 31, 2012, a decline of 10 percent in value of equity investments, with all other variables held constant, would have impacted the Plan's equity investments by an approximate unrealized loss of $266,000 (2011 - $239,000).

3. Risk Management (continued)

b) Credit risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. At December 31, 2012, the Plan's maximum credit risk exposure relates to accrued interest, cash and short-term deposits totalling $77,213 (2011 - $111,731).

c) Liquidity risk

Liquidity risk refers to the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities through selling or acquiring investments in a timely and cost-effective manner. The Plan maintains a portfolio of highly marketable Canadian assets that may be sold as protection against any unforeseen interruption to cash flow.

d) Fair value

The Plan's assets, which are recorded at fair value, have been categorized into one of the following categories reflecting the significant inputs used in making the fair value measurement:

- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following is a summary of the inputs used as of December 31, 2012 and 2011 in valuing the Plan's financial assets recorded at fair value:

	Level 1	Level 2	Level 3	**2012 Total**
Cash and short-term deposits	**$ 56,369**	**$ -**	**$ -**	**$ 56,369**
Canadian equities	**2,658,690**	**-**	**-**	**2,658,690**
	$ 2,715,059	**$ -**	**$ -**	**$ 2,715,059**

	Level 1	Level 2	Level 3	2011 Total
Cash and short-term deposits	$ 91,729	$ -	$ -	$ 91,729
Canadian equities	2,389,807	-	-	2,389,807
	$ 2,481,536	$ -	$ -	$ 2,481,536

Canadian equities consist of the following;

	2012	2011
iShares real return bond index fund	**$ 1,809,498**	$ 1,762,731
iShares S&P/TSX 60 index fund	**614,047**	393,634
BMO long federal bond index fund	**235,145**	233,442
	$ 2,658,690	$ 2,389,807

4. *Obligation for Pension Benefits*

An actuarial valuation of the Program was prepared as at December 31, 2011 and extrapolated to December 31, 2012, by Mercer (Canada) Limited ("Mercer"). The actuarial present value of accrued pension benefits for the valuation was determined using the projected benefit method pro-rated on service and using assumptions approved by the Board with input from the actuary.

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 4.6% (2011 - 4.8%) per annum, a rate of return on assets of 4.6% (2011 - 4.8%) per annum, and a general rate of salary increase of 2.5% (2011 - 2.5%) per annum.

The obligation for pension benefits is comprised of the following:

	2012	2011
Part A	**$ 3,581,454**	$ 3,083,389
Part B	**189,618**	137,231
	$ 3,771,072	$ 3,220,620

5. *Contributions*

	2012	2011
Current service	**$ 313,326**	$ 168,358

For Part A, the City's contributions to the Plan are due within four weeks of the required date. The City is charged interest on all balances outstanding past the due date.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

6. *Capital Management*

For Part A, the main objective of the Board is to sustain a level of net assets in order to meet the pension obligation of Part A. The Board fulfills this objective by ensuring member and City contributions are remitted to the pension fund in accordance with the terms of Part A and adhering to specific investment policies including asset mix and rate of return expectations, outlined in the Board approved Statement of Investment Policies and Procedures. Investment policy, strategies and performance are reviewed regularly by the Board.

For Part A, the City is responsible for ensuring that the actuarial liabilities of the Plan are adequately funded. The Board is required to have an actuarial funding valuation for Part A filed with Canada Revenue Agency. The most recent actuarial funding valuation filed for Part A was prepared by Mercer for the period ended December 31, 2011 and reported a $782 thousand shortfall that was funded by the City of Winnipeg in the first quarter of 2013. The next actuarial funding valuation for Part A is scheduled to be filed as at December 31, 2014 and will be completed in 2015.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF FINANCIAL POSITION

As at December 31

	2012 (000's)	2011 (000's)
ASSETS		
Investments, at fair value		
Bonds and debentures	**$ 282,655**	$ 296,755
Canadian equities	**295,684**	271,406
Foreign equities	**299,873**	261,565
Cash and short-term deposits	**22,506**	46,421
Private equities	**15,455**	15,024
Real estate	**37,968**	3,885
	954,141	895,056
Accrued interest	**659**	778
Participants' contributions receivable	**6**	4
Employers' contributions receivable	**13**	9
Accounts receivable	**109**	1
Due from The Winnipeg Civic Employees' Pension Plan	**42**	19
Total Assets	**954,970**	895,867
LIABILITIES		
Accounts payable	**1,678**	1,248
Total Liabilities	**1,678**	1,248
NET ASSETS AVAILABLE FOR BENEFITS	**953,292**	894,619
PENSION OBLIGATIONS	**1,014,501**	933,774
DEFICIT	**$ (61,209)**	$ (39,155)
DEFICIT COMPRISED OF:		
Main Account - General Component	**$ (87,479)**	$ (76,615)
Main Account - Contributions Stabilization Reserve	**18,131**	29,943
Plan Members' Account	**8,139**	7,517
	$ (61,209)	$ (39,155)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31

	2012	2011
	(000's)	(000's)
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	**$ 17,129**	$ 9,758
Employees	**11,367**	9,870
Reciprocal transfers from other plans	**9**	-
	28,505	19,628
Investment income (Note 5)	**29,542**	30,448
Current period change in fair value of investments	**45,908**	(35,992)
Total increase in assets	**103,955**	14,084
DECREASE IN ASSETS		
Pension payments	**39,470**	37,606
Lump sum benefits (Note 7)	**2,769**	1,508
Administrative expenses (Note 8)	**989**	790
Investment management and custodial fees	**2,054**	1,794
Total decrease in assets	**45,282**	41,698
Increase (decrease) in net assets	**58,673**	(27,614)
Net assets available for benefits at beginning of year	**894,619**	922,233
Net assets available for benefits at end of year	**$ 953,292**	$ 894,619

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the years ended December 31

	2012 (000's)	2011 (000's)
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	**$ 933,774**	$ 898,923
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	**57,464**	55,403
Benefits accrued	**32,689**	28,763
Changes in actuarial assumptions	**38,612**	-
Total increase in accrued pension benefits	**128,765**	84,166
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	**42,239**	39,114
Experience gains and losses and other factors	**4,971**	4,560
Changes in actuarial assumptions	**-**	4,843
Administration expenses	**828**	798
Total decrease in accrued pension benefits	**48,038**	49,315
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	**80,727**	34,851
ACCRUED PENSION BENEFITS, END OF YEAR	**$ 1,014,501**	$ 933,774

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN (DEFICIT) SURPLUS

For the years ended December 31

	2012 (000's)	2011 (000's)
(DEFICIT) SURPLUS, BEGINNING OF YEAR	**$ (39,155)**	$ 23,310
Increase (decrease) in net assets available for benefits for the year	**58,673**	(27,614)
Increase in accrued pension benefits for the year	**(80,727)**	(34,851)
DEFICIT, END OF YEAR	**$ (61,209)**	$ (39,155)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 1

SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

For the year ended December 31

	2012			
	(000's) Main Account- General Component	(000's) Main Account- Contribution Stabilization Reserve	(000's) Plan Members' Account	**(000's) Total**
INCREASE IN ASSETS				
Contributions				
The City of Winnipeg	$ 17,129	$ -	$ -	**$ 17,129**
Employees	11,367	-	-	**11,367**
Reciprocal transfers from other plans	9	-	-	**9**
	28,505	-	-	**28,505**
Transfer from Contribution Stabilization Reserve (Note 1)	4,196	-	-	**4,196**
Transfers to Main Account	-	(4,196)	-	**(4,196)**
Investment income (Note 5)	28,670	622	250	**29,542**
Current period change in fair value of investments	44,552	967	389	**45,908**
Transfer from Contribution Stabilization Reserve - Resolution of funding deficiency (Note 3)	9,162	(9,162)	-	**-**
Total increase (decrease) in assets	115,085	(11,769)	639	**103,955**
DECREASE IN ASSETS				
Pension payments	39,470	-	-	**39,470**
Lump sum benefits (Note 7)	2,769	-	-	**2,769**
Administrative expenses (Note 8)	989	-	-	**989**
Investment management and custodial fees	1,994	43	17	**2,054**
Total decrease in assets	45,222	43	17	**45,282**
Increase (decrease) in net assets	69,863	(11,812)	622	**58,673**
Net assets available for benefits at beginning of year	857,159	29,943	7,517	**894,619**
Net assets available for benefits at end of year	$ 927,022	$ 18,131	$ 8,139	**$ 953,292**

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 2

SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

For the year ended December 31

	2011			
	(000's) Main Account- General Component	(000's) Main Account- Contribution Stabilization Reserve	(000's) Plan Members' Account	(000's) Total
INCREASE IN ASSETS				
Contributions				
The City of Winnipeg	$ 9,758	$ -	$ -	$ 9,758
Employees	9,870	-	-	9,870
	19,628	-	-	19,628
Transfer from Contribution Stabilization Reserve (Note 1)	9,136	-	-	9,136
Transfers to Main Account	-	(9,136)	-	(9,136)
Investment income (Note 5)	29,034	1,161	253	30,448
Current period change in fair value of investments	(34,320)	(1,373)	(299)	(35,992)
Transfer from Contribution Stabilization Reserve - Resolution of funding deficiency (Note 3)	6,894	(6,894)	-	-
Total increase (decrease) in assets	30,372	(16,242)	(46)	14,084
DECREASE IN ASSETS				
Pension payments	37,606	-	-	37,606
Lump sum benefits (Note 7)	1,508	-	-	1,508
Administrative expenses (Note 8)	790	-	-	790
Investment management and custodial fees	1,711	68	15	1,794
Total decrease in assets	41,615	68	15	41,698
Decrease in net assets	(11,243)	(16,310)	(61)	(27,614)
Net assets available for benefits at beginning of year	868,402	46,253	7,578	922,233
Net assets available for benefits at end of year	$ 857,159	$ 29,943	$ 7,517	$ 894,619

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 3

SCHEDULE OF CHANGES IN (DEFICIT) SURPLUS BY ACCOUNT

For the years ended December 31

	2012			
	(000's) Main Account- General Component	(000's) Main Account- Contribution Stabilization Reserve	(000's) Plan Members' Account	**(000's) Total**
(DEFICIT) SURPLUS, BEGINNING OF YEAR	$ (76,615)	$ 29,943	$ 7,517	**$ (39,155)**
Increase (decrease) in net assets available for benefits for the year	69,863	(11,812)	622	**58,673**
Net increase in accrued pension benefits for the year	(80,727)	-	-	**(80,727)**
(DEFICIT) SURPLUS, END OF YEAR	$ (87,479)	$ 18,131	$ 8,139	**$ (61,209)**

	2011			
	(000's) Main Account- General Component	(000's) Main Account- Contribution Stabilization Reserve	(000's) Plan Members' Account	(000's) Total
(DEFICIT) SURPLUS, BEGINNING OF YEAR	$ (30,521)	$ 46,253	$ 7,578	$ 23,310
Decrease in net assets available for benefits for the year	(11,243)	(16,310)	(61)	(27,614)
Net increase in accrued pension benefits for the year	(34,851)	-	-	(34,851)
(DEFICIT) SURPLUS, END OF YEAR	$ (76,615)	$ 29,943	$ 7,517	$ (39,155)

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2012

1. *Description of Plan*

a) General

The Winnipeg Police Pension Plan is a defined benefit pension plan, which provides pension benefits for City of Winnipeg police officers. All police officers are required to become members of the Plan at the commencement of their employment.

b) Administration

The Plan is administered by the Winnipeg Police Pension Board which is comprised of two voting members appointed by the Winnipeg Police Association, appointed on behalf of Police Officers who are Active Members, one voting member appointed by the Winnipeg Police Senior Officers' Association, appointed on behalf of the senior police officers who are Active Members, one voting member elected by the Non-Active Members and other beneficiaries under the Plan, and five members appointed by the City.

The Board also consists of a maximum of four non-voting members, one of whom may be appointed by each of the Winnipeg Police Association, the Winnipeg Police Senior Officers' Association, and the City of Winnipeg, respectively, and one of whom may be elected by the Non-Active Members or, if no election is held, appointed by the Non-Active Member Representative on behalf of the Non-Active Members.

The Plan is registered under the Pension Benefits Act of Manitoba. The Plan is a registered pension plan under the Income Tax Act, and is not subject to income taxes.

c) Financial structure

The Winnipeg Police Pension Plan is comprised of three Accounts, namely the Main Account (which has two components being the General Component and the Contribution Stabilization Reserve), the Plan Members' Account and the City Account.

i) Main Account - General Component

All benefits of the Pension Plan are paid from the Main Account - General Component.

Employees contribute 8% of earnings to the Main Account. If the Contribution Stabilization Reserve is sufficient to provide a transfer to fund the difference between the current service cost of benefits accrued during the year and matching employee and City contributions and to the extent provincial funding regulations permit such a transfer, then the City matches the employee contributions during the year.

If the Contribution Stabilization Reserve is insufficient to provide the above transfer or if provincial funding regulations restrict such a transfer, then the City contributes the balance of the current service cost of benefits accrued during the year, including 2% of earnings for post-retirement cost-of-living adjustments, in excess of the employees' contributions.

1. Description of Plan (continued)

c) Financial structure (continued)

ii) Main Account - Contribution Stabilization Reserve

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account - General Component, the portion of the current service cost of benefits that exceeds the employees' and City's contributions. In accordance with Provincial funding regulations the Contribution Stabilization Reserve can be used to reduce the City's contributions only to the extent of the balance in excess of 5% of the Plan's solvency liabilities. The balance of the Contribution Stabilization Reserve fell below this threshold during 2012.

iii) Plan Members' Account

In order to ensure that the Plan members will receive a benefit equal to the benefit received by the City through the contribution holidays that it took in 2001 and 2002, the Plan Members' Account was established effective January 1, 2003 with an initial balance equal to the amount of the City's contribution holidays adjusted for investment income up to December 31, 2002.

The Plan Members' Account will be credited with any share of future actuarial surpluses that are allocated to the Plan Members in accordance with the Plan.

iv) City Account

The financial structure provides for a City Account which will be credited with the share of future actuarial surpluses that are allocated to the City in accordance with the Plan. To date, no actuarial surplus has been credited to the City Account.

d) Retirement pensions

The Plan provides for retirement at or after age 55 or following completion of 25 years of credited service. The Plan allows early retirement at age 50 or completion of at least 20 years of credited service subject to an early retirement pension reduction. The pension formula prior to age 65 is equal to 2% of the average earnings in the 60 consecutive months in which the earnings are highest ("Best Average Earnings") for each year of credited service. The pension formula after age 65 is equal to 1.4% of Best Average Canada Pension Plan earnings plus 2% of Best Average Non-Canada Pension Plan earnings for each year of credited service. Pensions are subject to the maximum benefit limits prescribed for registered pension plans under the Income Tax Act.

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the Plan text, which level is currently 66.2% (2011 - 71.2%) of the percentage change in the Consumer Price Index for Canada.

e) Disability pensions

A member, who has completed at least fifteen years of credited service, and who has become totally and permanently disabled may apply for a disability pension.

f) Survivor's benefits

The Plan provides survivor pensions or lump sum benefits on death prior to retirement. On death after retirement, eligible surviving spouses normally receive 66 2/3% of the member's pension.

1. Description of Plan (continued)

g) Termination benefits

Upon application and subject to vesting and locking-in provisions, deferred pensions or equivalent lump sum benefits are payable when a member terminates employment with the City.

h) Variation in benefits

The Plan provides that the rate of cost-of-living adjustment to pensions may be increased using funds available in the Plan Members' Account or may be reduced in the event of a funding deficiency.

2. Summary of Significant Accounting Policies

a) Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the City and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

These financial statements include the financial statements of the Plan and its wholly-owned subsidiary, 5332665 Manitoba Ltd., which was incorporated on July 14, 2006. The Plan accounts for its investment in its subsidiary on a non-consolidated basis. The purpose of the subsidiary corporation is to invest in and hold certain private equity investments on behalf of the Plan.

b) Investments and investment income

Investments are stated at fair value. Fair value represents the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Publicly traded equity investments are valued using published bid prices. For private equity investments, where quoted market prices are not available, various methods of valuation are used by the external managers to determine fair value including the use of: discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Real estate investments are valued based on the most recent valuations or appraisals of the underlying properties.

Fixed income investments are valued either using published bid prices or by applying valuation techniques that utilize observable market inputs.

Cash and short-term investments are recorded at cost, which, together with accrued interest income, approximates fair value.

Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

The Plan's investment income, current period change in fair value of investments and investment management and custodial fees are allocated between the Accounts and Reserve based on the average balance of each Account and Reserve during the year.

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

c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

d) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets, obligations, and surplus during the year. Actual results could differ from those estimates.

e) Future accounting change

In accordance with the Accounting Standards for Pension Plans, the Plan is required to adopt International Financial Reporting Standard ("IFRS") 13, Fair Value Measurement, for fiscal years beginning on or after January 1, 2013 for the measurement of its investment assets. IFRS 13 replaces the fair value measurement guidance currently dispersed across different IFRSs and accounting standards with a single definition of fair value and a comprehensive framework for measuring fair value. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. It defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instruments for which other IFRSs and accounting standards require or permit fair value measurements and disclosures about fair value measurements. In general, the disclosure requirements in IFRS 13 are more extensive than those required by the current standards. The plan anticipates that the application of the new standard may affect certain amounts reported in the financial statements and may result in more extensive disclosures in the financial statements.

3. *Obligations for Pension Benefits*

An actuarial valuation of the Plan was performed as of December 31, 2012 by Mercer (Canada) Limited. This valuation was used to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2012. For the comparative 2011 figures, the actuarial present value of accrued benefits at December 31, 2011 is based on the December 31, 2011 actuarial valuation performed by Mercer (Canada) Limited. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6.0% (2011 – 6.25%) per year, inflation of 2.0% (2011 – 2.0%) per year and general increases in pay of 3.25% (2011 – 3.50%) per year. The change in the valuation interest rate from 6.25% to 6.0% increased the obligations for pension benefits by $36,450,000, while the reduction in the general increases in pay assumption from 3.5% to 3.25% decreased the obligations for pension benefits by $7,840,000. The economic assumption about timing of general increases in pay within each year was also changed, increasing obligations for pension benefits by $6,780,000. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience. The demographic assumptions for annual rates of mortality were revised to utilize generational mortality tables, increasing obligations for pension benefits by $11,570,000. These assumptions were approved by the Winnipeg Police Pension Board for purposes of preparing the financial statements. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

3. *Obligations for Pension Benefits (continued)*

The actuarial valuation as at December 31, 2012 disclosed a $60,358,000 funding deficiency to be resolved in accordance with the Plan, by transferring $18,131,000 from the Main Account - Contribution Stabilization Reserve to the Main Account - General Component and by reducing future cost-of-living adjustments from 66.2% to 47.0% of inflation, effective January 1, 2013.

The actuarial valuation as at December 31, 2011 disclosed a $18,324,000 funding deficiency which was resolved in accordance with the Plan, by transferring $9,162,000 from the Main Account - Contribution Stabilization Reserve to the Main Account - General Component and by reducing future cost-of-living adjustments from 71.2% to 66.2% of inflation, effective January 1, 2012.

The actuarial valuation as at December 31, 2010 disclosed a $13,788,000 funding deficiency which was resolved in accordance with the Plan, by transferring $6,894,000 from the Main Account – Contribution Stabilization Reserve to the Main Account - General Component and by reducing future cost-of-living adjustments from 75% to 71.2% of inflation, effective January 1, 2011.

The assets available to finance the Plan's accrued benefits are those allocated to the Main Account - General Component. In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets of the Main Account - General Component was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effect of using a smoothed value of assets for the Main Account - General Component in determining the estimated actuarial surplus or deficiency is as follows:

	2012 **(000's)**	2011 (000's)
Deficit for financial statement reporting purposes		
Main Account - General Component	**$ (87,479)**	$ (76,615)
Fair value changes not reflected in actuarial value of assets	**27,121**	58,291
Deficit for actuarial valuation purposes		
Main Account - General Component	**(60,358)**	(18,324)
Add: special purpose reserves and accounts		
Main Account - Contribution Stabilization Reserve	**18,131**	29,943
Plan Members' Account	**8,139**	7,517
(Deficit) surplus for actuarial valuation purposes - including special purpose reserves and accounts, as estimated	**$ (34,088)**	$ 19,136

The most recent actuarial valuation for funding purposes as at December 31, 2012 will be filed with the Manitoba Pension Commission and the Canada Revenue Agency. The valuation disclosed a solvency liability measured on a hypothetical Plan wind up basis of $1,170,038,000 and a solvency deficiency of $199,364,000 as at December 31, 2012.

The Pension Benefits Regulation provides that an irrevocable letter of credit may be used to secure some or all of the special payments that would otherwise be required from the City of Winnipeg to amortize the solvency deficiency over 5 years. The City of Winnipeg has informed the Winnipeg Police Pension Board that it will be arranging for an irrevocable letter of credit to be held by the Winnipeg Police Pension Board in lieu of making special payments of $3,563,000 per month together with any applicable interest as required under the Regulation, commencing in 2013. The letter of credit is expected to be effective from late October 2013 and must be renewed annually thereafter until such time as the Plan no longer has a solvency deficiency or the City has made all payments required under the Regulation.

4. *Management of Financial Risk*

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. The Plan seeks to minimize potential adverse effects of these risks on the Plan's performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plan's position and market events, by diversifying the investment portfolio within the constraints of the investment policy and objectives, and occasionally through the use of derivatives to hedge certain risk exposures. Significant risks that are relevant to the Plan are discussed below.

a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan, and is concentrated in the Plan's investment in bonds and debentures and short-term deposits. At December 31, 2012, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $305,820,000 (2011 - $343,954,000).

The Plan's concentration of credit risk as at December 31, 2012, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	2012 Fair Value (000's)	2011 Fair Value (000's)
Government of Canada and Government of Canada guaranteed	**$ 30,954**	$ 24,054
Provincial and Provincial guaranteed	**190,222**	204,297
Canadian cities and municipalities	**1,747**	2,265
Corporations and other institutions	**59,732**	66,139
	$ 282,655	$ 296,755

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $22,459,000 at December 31, 2012 (2011 - $46,399,000).

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process. All bond transactions are settled upon delivery using licensed brokers. The risk of default on settlement is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

As at December 31, bonds and debentures analyzed by credit rating are as follows:

	2012		2011	
Credit Rating	**Percent of Total Bonds**	**Percent of Net Assets**	Percent of Total Bonds	Percent of Net Assets
AAA	**15.4**	**4.6**	16.4	5.4
AA	**76.2**	**22.6**	74.7	24.8
A	**6.8**	**2.0**	7.2	2.4
BBB	**1.1**	**0.3**	1.1	0.4
BB	**0.5**	**0.2**	0.6	0.2
	100.0	**29.7**	100.0	33.2

4. Management of Financial Risk (continued)

a) Credit risk (continued)

The Plan participates in a securities lending program, managed by the Plan's custodian, wherein securities are loaned to counterparties in exchange for lending fees. In this regard, the Plan's exposure to credit risk relates to the potential for a counterparty to not return a security and the related collateral held is insufficient to replace the security in the open market. The Manager has responsibility to monitor the credit worthiness of counterparties and to regularly monitor and maintain collateral greater than the value of the loans.

b) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund the pensioner payroll costs and to fund investment commitments. The Plan primarily invests in securities that are traded in active markets and can be readily disposed. The Plan may invest in private equity, which is not traded in an organized market and may be illiquid, but only up to a maximum of 5% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures. The Plan may also invest in real estate, which is not traded in an organized market and may be illiquid, but only up to a maximum of 16% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures.

c) Interest rate risk

Interest rate risk is the risk that the fair value of the Plan's interest bearing investments will fluctuate due to changes in market interest rates. The Plan's exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

The Plan's actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term real rate of return which may result in higher contribution rates or lower benefit levels.

The Plan has approximately 32% (2011 - 38%) of its assets invested in fixed income securities as at December 31, 2012. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related fair values of investments in bonds and debentures held by the Plan at December 31, 2012 are as follows:

Term to Maturity	**2012 Fair Value (000's)**	2011 Fair Value (000's)
Less than one year	**$ 51,970**	$ 25,511
One to five years	**129,189**	136,366
Greater than five years	**101,496**	134,878
	$ 282,655	$ 296,755

4. *Management of Financial Risk (continued)*

c) Interest rate risk (continued)

As at December 31, 2012, had prevailing interest rates raised or lowered by 0.5% (2011 - 0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately $5,441,000 (2011 - $6,573,000), approximately 0.6% of total net assets (2011 - 0.7%). The Plan's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the Plan's net foreign currency exposure after giving effect to the net related hedge as at December 31, 2012. The table also illustrates the potential impact to the Plan's net assets, all other variables held constant, as a result of a 10% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

	2012				2011	
	Gross Exposure (000's)	**Net Foreign Currency Hedge (000's)**	**Net Exposure (000's)**	**Impact on Net Assets (000's)**	Net Exposure (000's)	Impact on Net Assets (000's)
United States	**$ 178,689**	**$ -**	**$ 178,689**	**$ 17,869**	$ 156,354	$ 15,635
Euro Countries	**41,833**	**16**	**41,817**	**4,182**	33,855	3,386
United Kingdom	**27,075**	**-**	**27,075**	**2,707**	25,763	2,576
Switzerland	**11,438**	**8**	**11,430**	**1,143**	8,917	892
Japan	**10,418**	**-**	**10,418**	**1,042**	13,966	1,397
Sweden	**8,578**	**-**	**8,578**	**858**	6,244	624
Hong Kong	**7,430**	**-**	**7,430**	**743**	4,986	498
Australia	**4,919**	**-**	**4,919**	**492**	5,305	531
Other	**20,277**	**22**	**20,255**	**2,025**	17,447	1,745
	$ 310,657	**$ 46**	**$ 310,611**	**$ 31,061**	$ 272,837	$ 27,284

e) Other price risk

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The Plan's policy is to invest in a diversified portfolio of investments. As well, the Plan's Managers moderate this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

4. Management of Financial Risk (continued)

e) Other price risk (continued)

For this Plan, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2012, had the prices on the respective stock exchanges for these securities increased or decreased by 15%, with all other variables held constant, net assets would have increased or decreased by approximately $89,334,000 (2011 - $79,946,000), approximately 9.4% of total net assets (2011 - 8.9%). In practice, the actual results may differ and the difference could be material.

The Plan also has exposure to valuation risk through it's holdings of private equity and real estate investments, for which quoted market prices are not available. As at December 31, 2012, the estimated fair value of private equity investments is $15,455,000 (2011 - $15,024,000), approximately 1.6% of total net assets (2011 - 1.7%), and the related change in fair value of investments recognized for the year ended December 31, 2012 is $2,641,000 (2011 - $992,000). As at December 31, 2012, the estimated fair value of real estate investments is $37,968,000 (2011 - $3,885,000), approximately 4.0% of total net assets (2011 - 0.4%), and the related change in fair value of investments recognized for the year ended December 31, 2012 is $2,397,000 (2011 - $145,000).

f) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and, Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classifies to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2012 and December 31, 2011, classified using the fair value hierarchy described above:

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	2012 Total Investment Assets at Fair Value (000's)
Bonds and debentures	$ 1,777	$ 280,878	$ -	$ 282,655
Canadian equities	292,885	2,799	-	295,684
Foreign equities	298,654	1,219	-	299,873
Cash and short-term deposits	22,506	-	-	22,506
Private equities	-	-	15,455	15,455
Real estate	-	-	37,968	37,968
	$ 615,822	$ 284,896	$ 53,423	$ 954,141

4. Management of Financial Risk (continued)

f) Fair value hierarchy (continued)

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	2011 Total Investment Assets at Fair Value (000's)
Bonds and debentures	$ -	$ 296,755	$ -	$ 296,755
Canadian equities	270,518	888	-	271,406
Foreign equities	259,044	2,521	-	261,565
Cash and short-term deposits	46,421	-	-	46,421
Private equities	-	-	15,024	15,024
Real estate	-	-	3,885	3,885
	$ 575,983	$ 300,164	$ 18,909	$ 895,056

During the year, there have been no significant transfer of amounts between Level 1 and Level 2.

The following table reconciles the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

Private Equities	**2012 (000's)**	2011 (000's)
Fair value, beginning of year	**$ 15,024**	$ 14,017
Gains recognized in increase in net assets	**2,641**	992
Purchases	**1,217**	2,169
Sales	**(3,427)**	(2,154)
	$ 15,455	$ 15,024

Real Estate	**2012 (000's)**	2011 (000's)
Fair value, beginning of year	**$ 3,885**	$ -
Gains recognized in increase in net assets	**2,397**	145
Purchases	**31,686**	3,740
	$ 37,968	$ 3,885

Section 3.29 of the Pension Benefits Act Regulations requires disclosure of each investment asset that has a fair value greater than one percent of the fair value of the investment assets of the Fund. As at December 31, 2012, the Fund held the following investments that met this classification:

Bonds and debentures	**2012 (000's)**
Ontario Hydro Prin 10.75% 2021, maturing October 17, 2014	**$ 33,118**
Ontario Hydro Res, maturing February 6, 2020	**17,393**
Canadian Government 1.5%, maturing November 1, 2013	**17,058**
Ontario Hydro Zero CPN, maturing April 11, 2017	**13,748**

4. *Management of Financial Risk (continued)*

f) Fair value hierarchy (continued)

		2012 (000's)
Canadian equities		
TD Emerald Index Fund	$	**95,794**
Bank of Nova Scotia		**11,361**
Toronto-Dominion Bank		**10,844**
Royal Bank of Canada		**10,001**
Foreign equities		
State Street S&P 500 Index Common Trust Fund		**73,614**
Templeton Global Smaller Companies Fund		**14,529**
Cash and short term deposits		
City of Winnipeg short term deposit		**22,459**
Private equities		
5332665 MB Ltd. common shares		**14,318**

5. *Investment Income*

		2012 (000's)		2011 (000's)
Bonds and debentures	$	**16,360**	$	16,851
Canadian equities		**7,004**		7,002
Foreign equities		**5,535**		5,922
Cash and short-term deposits		**643**		673
	$	**29,542**	$	30,448
Allocated to:				
Main Account - General Component	$	**28,670**	$	29,034
Main Account - Contribution Stabilization Reserve		**622**		1,161
Plan Members' Account		**250**		253
	$	**29,542**	$	30,448

6. *Investment Transaction Costs*

During 2012, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $258,000 (2011 - $319,000). Investment transaction costs are included in the current period change in fair value of investments.

7. *Lump Sum Benefits*

		2012 (000's)		2011 (000's)
Termination benefits	$	**172**	$	1,193
Death benefits		**1,397**		-
Payments on relationship breakdown		**1,177**		309
Other		**23**		6
	$	**2,769**	$	1,508

8. Administrative Expenses

	2012 (000's)	2011 (000's)
Winnipeg Civic Employees' Benefits Program	**$ 603**	$ 589
Actuarial fees	**340**	162
Legal fees	**33**	28
General and administrative expenses	**13**	11
	$ 989	$ 790

9. Commitments

The Plan's wholly-owned subsidiary, 5332665 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed $20,000,000. Commitments will be funded over the next several years. As at December 31, 2012, $15,485,000 had been funded.


PLANTRONICS

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

STATEMENT OF FINANCIAL POSITION

As at December 31
(Unaudited)

		2012		2011
		(000's)		(000's)
ASSETS				
Investments, at fair value				
Bonds and debentures	**$**	**56,710**	$	58,040
Canadian equities		**43,996**		41,128
Foreign equities		**-**		14,826
Short-term deposits		**30,475**		13,476
		131,181		127,470
Accrued interest		**223**		230
Accounts receivable		**69**		31
Due from The Winnipeg Civic Employees' Pension Plan		**3**		-
Total Assets		**131,476**		127,731
LIABILITIES				
Accounts payable		**361**		365
Due to The Winnipeg Civic Employees' Pension Plan		**-**		1
Total Liabilities		**361**		366
NET ASSETS (Note 4)		**131,115**		127,365
BENEFIT OBLIGATIONS				
Civic Employees' (Note 5)		**94,803**		89,083
Police Employees' (Note 6)		**24,534**		22,497
		119,337		111,580
SURPLUS	**$**	**11,778**	$	15,785
SURPLUS (DEFICIT) COMPRISED OF:				
Civic Employees' (Note 5)	**$**	**12,843**	$	15,423
Police Employees' (Note 6)		**(1,065)**		362
	$	**11,778**	$	15,785

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31
(Unaudited)

	2012 (000's)	2011 (000's)
INCREASE IN ASSETS		
Contributions		
City of Winnipeg and participating employers	**$ 1,165**	$ 1,125
Employees - basic	**1,166**	1,129
Employees - optional	**378**	368
Pensioners	**206**	194
	2,915	2,816
Investment income (Note 8)	**2,701**	3,005
Current period change in fair value of investments	**2,041**	(4,567)
Total increase in assets	**7,657**	1,254
DECREASE IN ASSETS		
Administration	**162**	146
Actuarial fees	**28**	21
Legal fees	**13**	8
Benefit payments	**4,057**	3,608
Investment management fees	**27**	78
Claims administration and taxes	**230**	209
Total decrease in assets	**4,517**	4,070
Increase (decrease) in net assets	**3,140**	(2,816)
Net assets at beginning of year	**104,506**	107,322
Net assets at end of year	**$ 107,646**	$ 104,506

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

For the years ended December 31
(Unaudited)

	2012 (000's)	2011 (000's)
ACCRUED BENEFITS, BEGINNING OF YEAR	**$ 89,083**	$ 78,047
INCREASE IN ACCRUED BENEFITS		
Interest accrued on benefits	**3,490**	3,492
Benefits accrued	**3,532**	2,843
Changes in actuarial assumptions	**1,397**	9,887
Total increase in accrued benefits	**8,419**	16,222
DECREASE IN ACCRUED BENEFITS		
Benefits paid	**2,699**	2,250
Experience gains and losses and other factors	**-**	2,936
Total decrease in accrued benefits	**2,699**	5,186
NET INCREASE IN ACCRUED BENEFITS FOR THE YEAR	**5,720**	11,036
ACCRUED BENEFITS, END OF YEAR	**$ 94,803**	$ 89,083

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN SURPLUS

For the years ended December 31
(Unaudited)

	2012 (000's)	2011 (000's)
SURPLUS, BEGINNING OF YEAR	**$ 15,423**	$ 29,275
Increase (decrease) in net assets for the year	**3,140**	(2,816)
Net increase in accrued benefits for the year	**(5,720)**	(11,036)
SURPLUS, END OF YEAR	**$ 12,843**	$ 15,423

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31
(Unaudited)

	2012 (000's)	2011 (000's)
INCREASE IN ASSETS		
Contributions		
City of Winnipeg	**$ 282**	$ 244
Employees - basic	**283**	244
Employees - optional	**67**	55
Pensioners	**51**	50
	683	593
Investment income (Note 8)	**590**	653
Current period change in fair value of investments	**447**	(993)
Total increase in assets	**1,720**	253
DECREASE IN ASSETS		
Administration	**35**	31
Actuarial fees	**20**	-
Legal fees	**3**	1
Benefit payments	**1,004**	641
Investment management fees	**6**	17
Claims administration and taxes	**42**	37
Total decrease in assets	**1,110**	727
Increase (decrease) in net assets	**610**	(474)
Net assets at beginning of year	**22,859**	23,333
Net assets at end of year	**$ 23,469**	$ 22,859

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

For the years ended December 31
(Unaudited)

	2012 (000's)	2011 (000's)
ACCRUED BENEFITS, BEGINNING OF YEAR	**$ 22,497**	$ 18,221
INCREASE IN ACCRUED BENEFITS		
Interest accrued on benefits	**891**	856
Benefits accrued	**1,132**	809
Changes in actuarial assumptions	**473**	2,907
Experience gains and losses and other factors	**-**	65
Total increase in accrued benefits	**2,496**	4,637
DECREASE IN ACCRUED BENEFITS		
Benefits paid	**459**	361
Total decrease in accrued benefits	**459**	361
NET INCREASE IN ACCRUED BENEFITS FOR THE YEAR	**2,037**	4,276
ACCRUED BENEFITS, END OF YEAR	**$ 24,534**	$ 22,497

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN (DEFICIT) SURPLUS

For the years ended December 31
(Unaudited)

	2012 (000's)	2011 (000's)
SURPLUS, BEGINNING OF YEAR	**$ 362**	$ 5,112
Increase (decrease) in net assets for the year	**610**	(474)
Net increase in accrued benefits for the year	**(2,037)**	(4,276)
(DEFICIT) SURPLUS, END OF YEAR	**$ (1,065)**	$ 362

See accompanying notes to the financial statements

1. Description of Plan

The City of Winnipeg Employees' Group Life Insurance Plan is comprised of two plans, the Civic Employees' Group Life Insurance Plan for employees of the City of Winnipeg, other than police officers, and certain other employers which participate in the Plan and the Police Employees' Group Life Insurance Plan for police officers of the City.

a) Civic Employees' Group Life Insurance Plan

All employees are eligible to join the Plan commencing on their date of employment. All new members of The Winnipeg Civic Employees' Pension Plan must become members of the group life plan. Plan members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. Plan members and the City share equally in the cost of the basic life insurance coverage until retirement. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Plan is administered by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund). The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

b) Police Employees' Group Life Insurance Plan

All police officers are required to become members of the Plan commencing on their date of employment. Plan members are covered for basic life insurance coverage of two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance until retirement. Coverage on the life of disabled members continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Winnipeg Police Pension Board is responsible for the administration of the Plan. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

The City of Winnipeg Employees' Group Life Insurance Plan was first established in 1975. It is considered to be non-taxable as part of municipal government.

2. *Summary of Significant Accounting Policies*

a) Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans and other benefit plans on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plans for the fiscal period.

b) Investments and investment income

Investments are stated at fair value. Fair value represents the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The fixed income investments are valued either using published bid prices or by applying valuation techniques that utilize observable market inputs. The equity investments are valued using published bid prices. Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

d) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans and other benefit plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets, obligations, and surplus during the year. Actual results could differ from those estimates.

3. *Future Accounting Change*

In accordance with the Accounting Standards for Pension Plans and other benefit plans, the Plan is required to adopt International Financial Reporting Standard ("IFRS") 13, Fair Value Measurement, for fiscal years beginning on or after January 1, 2013 for the measurement of its investment assets. IFRS 13 replaces the fair value measurement guidance currently dispersed across different IFRSs and accounting standards with a single definition of fair value and a comprehensive framework for measuring fair value. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. It defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instruments for which other IFRSs and accounting standards require or permit fair value measurements and disclosures about fair value measurements. In general, the disclosure requirements in IFRS 13 are more extensive than those required by the current standards.

The plan anticipates that the application of the new standard may affect certain amounts reported in the financial statements and may result in more extensive disclosures in the financial statements.

4. *Net Assets*

The Civic and Police Employees' Group Life Insurance Plans' net assets represent reserves that are available to finance the portion of the post-retirement insurance expected to be provided in the future to the members of the Plans that are not financed by retiree contributions. The reserves are also available to finance the related future insurer charges and Plan administration costs.

5. *Obligation for Post-Retirement Basic Life Insurance Benefits – Civic Employees' Group Life Insurance Plan*

An actuarial valuation of the Civic Employees' Group Life Insurance Plan was made as of December 31, 2010 by Mercer (Canada) Limited. The results of the December 31, 2010 actuarial valuation were extrapolated to December 31, 2012, with the exception of certain assumptions being updated to reflect economic circumstances for 2012, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Statement of Financial Position as at December 31, 2012. The assumptions used were approved by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund) for purposes of preparing the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing the financial statements included a valuation interest rate of 3.80% (2011 Extrapolation - 3.90%) per year and general increases in pay of 3.50% (2011 Extrapolation - 3.50%) per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2010 disclosed an actuarial surplus of $26,866,000 (2007 - $35,083,000) and a contingency reserve in the amount of $7,481,000 (2007 - $6,151,000).

In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effect of using a smoothed value of assets of the Civic Employees' Group Life Insurance Plan in determining the estimated actuarial surplus or deficiency is as follows:

	2012 (000's)	2011 (000's)
Surplus for financial statement reporting purposes	**$ 12,843**	$ 15,423
Fair value changes not reflected in actuarial value of assets	**3,695**	6,269
Surplus for actuarial valuation purposes, as estimated	**$ 16,538**	$ 21,692

6. *Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan*

An actuarial valuation of the Police Employees' Group Life Insurance Plan was made as of December 31, 2010 by Mercer (Canada) Limited. The results of the December 31, 2010 actuarial valuation were extrapolated to December 31, 2012, with the exception of certain assumptions being updated to reflect economic circumstances for 2012, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Statement of Financial Position as at December 31, 2012. The assumptions used were approved by the Winnipeg Police Pension Board for purposes of preparing the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing the financial statements included a valuation interest rate of 3.80% (2011 Extrapolation - 3.90%) per year and general increases in pay of 3.50% (2011 Extrapolation - 3.50%) per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

6. Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan (continued)

The actuarial valuation as at December 31, 2010 disclosed an actuarial surplus of $3,710,000 (2007 - $6,825,000) and a contingency reserve in the amount of $1,819,000 (2007 - $1,347,000).

In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effect of using a smoothed value of assets of the Police Employees' Group Life Insurance Plan in determining the estimated actuarial surplus or deficiency is as follows:

	2012 (000's)	2011 (000's)
(Deficit) surplus for financial statement reporting purposes	**$ (1,065)**	$ 362
Fair value changes not reflected in actuarial value of assets	**803**	1,358
(Deficit) surplus for actuarial valuation purposes, as estimated	**$ (262)**	$ 1,720

7. Management of Financial Risk

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. The Plan seeks to minimize potential adverse effects of these risks on the Plan's performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plan's position and market events, by diversifying the investment portfolio within the constraints of the investment policy and objectives, and occasionally through the use of derivatives to hedge certain risk exposures. Significant risks that are relevant to the Plan are discussed below.

a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan, and is concentrated in the Plan's investment in bonds and debentures and short-term deposits. At December 31, 2012, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $87,408,000 (2011 - $71,745,000). The Plan's concentration of credit risk as at December 31, 2012, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	**2012 Fair Value (000's)**	2011 Fair Value (000's)
Government of Canada and Government of Canada guaranteed	**$ 31,402**	$ 31,275
Provincial and Provincial guaranteed	**4,717**	8,836
Canadian cities and municipalities	**6,133**	6,363
Corporations and other institutions	**14,458**	11,566
	$ 56,710	$ 58,040

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $29,362,000 (2011 - $11,845,000) at December 31, 2012.

7. *Management of Financial Risk (continued)*

a) Credit risk (continued)

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process. All bond transactions are settled upon delivery using licensed brokers. The risk of default on settlement is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

As at December 31, bonds and debentures analyzed by credit rating are as follows:

	2012		2011	
Credit Rating	**Percent of Total Bonds**	**Percent of Net Assets**	Percent of Total Bonds	Percent of Net Assets
AAA	**70.3**	**30.4**	70.7	32.2
AA	**21.5**	**9.3**	20.5	9.4
A	**3.8**	**1.7**	4.3	2.0
BBB	**0.5**	**0.2**	0.5	0.2
BB	**3.9**	**1.7**	4.0	1.8
	100.0	**43.3**	100.0	45.6

The Plan participates in a securities lending program, managed by the Plan's custodian, wherein securities are loaned to counterparties in exchange for lending fees. In this regard, the Plan's exposure to credit risk relates to the potential for a counterparty to not return a security and the related collateral held is insufficient to replace the security in the open market. The Manager has responsibility to monitor the credit worthiness of counterparties and to regularly monitor and maintain collateral greater than the value of the loans.

b) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund benefit payments and to fund investment commitments. The Plan invests solely in securities that are traded in active markets and can be readily disposed.

c) Interest rate risk

Interest rate risk is the risk that the fair value of the Plan's interest bearing investments will fluctuate due to changes in market interest rates. The Plan's exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

The Plan's actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contributions rates required to meet the Plan's obligations.

The Plan has approximately 66% (2011 - 56%) of its assets invested in fixed income securities as at December 31, 2012. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

7. *Management of Financial Risk (continued)*

c) Interest rate risk (continued)

The term to maturity and related fair values of investments in bonds and debentures held by the Plan at December 31, 2012 are as follows:

<u>**Term to Maturity**</u>	**2012 Fair Value (000's)**	2011 Fair Value (000's)
Less than one year	**$ 27,667**	$ 903
One to five years	**9,154**	36,438
Greater than five years	**19,889**	20,699
	$ 56,710	$ 58,040

As at December 31, 2012, had prevailing interest rates raised or lowered by 0.5% (2011 - 0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately $888,000 (2011 - $1,129,000), approximately 0.7% of total net assets (2011 - 0.9%). The Plan's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. The Plan held no foreign equity investments as at December 31, 2012. The table below indicates, for comparative purposes, the Plan's net foreign currency exposure as at December 31, 2011. The table also illustrates the potential impact to the Plan's net assets, all other variables held constant, as a result of a 10% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

	2012				2011	
	Gross Exposure (000's)	Net Foreign Currency Hedge (000's)	Net Exposure (000's)	Impact on Net Assets (000's)	Net Exposure (000's)	Impact on Net Assets (000's)
Euro Countries	**$ -**	**$ -**	**$ -**	**$ -**	$ 5,338	$ 534
United Kingdom	**-**	**-**	**-**	**-**	2,642	264
Japan	**-**	**-**	**-**	**-**	1,481	148
Switzerland	**-**	**-**	**-**	**-**	998	100
South Korea	**-**	**-**	**-**	**-**	543	54
Hong Kong	**-**	**-**	**-**	**-**	428	43
United States	**-**	**-**	**-**	**-**	316	32
Sweden	**-**	**-**	**-**	**-**	131	13
Other	**-**	**-**	**-**	**-**	2,949	295
	$ -	**$ -**	**$ -**	**$ -**	$ 14,826	$ 1,483

7. *Management of Financial Risk (continued)*

e) Other price risk

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The Plan's policy is to invest in a diversified portfolio of investments. As well, the Plan's Managers moderate this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For this Plan, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2012, had the prices on the respective stock exchanges for these securities increased or decreased by 15%, with all other variables held constant, net assets would have increased or decreased by approximately $6,599,000 (2011 - $8,393,000), approximately 5.0% of total net assets (2011 - 6.6%). In practice, the actual results may differ and the difference could be material.

f) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and, Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2012 and December 31, 2011, classified using the fair value hierarchy described above:

	Level 1	**Level 2**	**Level 3**	**2012 Total Investment Assets at Fair Value**
	(000's)	(000's)	(000's)	(000's)
Bonds and debentures	**$ 254**	**$ 56,456**	**$ -**	**$ 56,710**
Canadian equities	**43,996**	**-**	**-**	**43,996**
Cash and short-term deposits	**30,475**	**-**	**-**	**30,475**
	$ 74,725	**$ 56,456**	**$ -**	**$ 131,181**

7. *Management of Financial Risk (continued)*

f) Fair value hierarchy (continued)

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	2011 Total Investment Assets at Fair Value (000's)
Bonds and debentures	$ -	$ 58,040	$ -	$ 58,040
Canadian equities	41,128	-	-	41,128
Foreign equities	14,546	280	-	14,826
Cash and short-term deposits	13,476	-	-	13,476
	$ 69,150	$ 58,320	$ -	$ 127,470

During the year, there has been no significant transfer of amounts between Level 1 and Level 2.

8. *Investment Income*

	2012 (000's)	2011 (000's)
Bonds and debentures	**$ 1,919**	$ 1,922
Canadian equities	**1,077**	985
Foreign equities	**25**	508
Cash and short-term deposits	**270**	243
	$ 3,291	$ 3,658
Allocated to:		
Civic Employees'	**$ 2,701**	$ 3,005
Police Employees'	**590**	653
	$ 3,291	$ 3,658

9. *Investment Transaction Costs*

During 2012, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $50,000 (2011 - $30,000). Investment transaction costs are included in the current period change in market value of investments.

10. *Subsequent Event*

On February 28, 2013, the Canada Revenue Agency (CRA) verbally informed the City of Winnipeg that, in its view, the assets held in the Plans constitued assets that were being held in trust funds and should be reported for income tax purposes as such. CRA further informed that it was prepared to accept the trusts commencing their income tax reporting on a prospective basis starting with the 2013 year, such that years prior to 2013 would not need to be reported.

The City of Winnipeg is in the process of developing a proposal to restructure the Plan with a view to maintaining tax-exempt status.

THE CITY OF WINNIPEG
TABLE OF FINANCIAL STATISTICS AND SELECTED RATIOS

FIVE-YEAR REVIEW

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

		2012	2011	2010	2009	2008
Population (Statistics Canada)		**704,800**	694,100	682,800	673,200	664,900
Consolidated debt (1)	**$**	**1,057,198**	800,928	715,089	678,517	753,092
Net tax-supported debt (2)	**$**	**527,602**	312,098	235,853	204,816	217,814
Debt per capita:						
Consolidated (dollars)	**$**	**1,500**	1,154	1,047	1,008	1,133
Net tax-supported (dollars)	**$**	**749**	450	345	304	328
Non-portioned taxable assessments (millions) (3)	**$**	**64,293**	56,287	55,648	32,420	31,959
Debt as a % of non-portioned taxable assessments						
Consolidated		**1.6%**	1.4%	1.3%	2.1%	2.4%
Net tax-supported		**0.8%**	0.6%	0.4%	0.6%	0.7%
Consolidated revenues (4)	**$**	**1,497,141**	1,469,610	1,353,856	1,343,648	1,271,258
Consolidated debt as a % of consolidated revenues		**70.6%**	54.5%	52.8%	50.5%	59.2%

Notes:

(1) Consolidated debt is gross debt outstanding, including premiums and discounts, for all municipal purposes - tax-supported, City-owned utilities, special operating agencies, and wholly-owned corporations.

(2) Net tax-supported debt is gross debt of the General Capital and Transit System Funds net of sinking funds.

(3) Non-portioned taxable assessments exclude fully exempt properties and does not include all converted grants.

(4) Consolidated revenues are comprised of general revenues, City-owned utilities, revenue from the wholly-owned corporations, investment in government businesses and special operating agencies, but excludes revenues collected on behalf of school authorities.

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

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS
As at December 31, 2012

		General Municipal Purposes	City-owned Utilities				Special Operating Agencies	
By-Law Number	Minister of Finance/Council Approval	General	Transit System	Waterworks System	Sewage Disposal System	Solid Waste Disposal	Fleet Management	Total
6520/94	December 2/94	$ 7,000,000	$ -	$ -	$ -	$ -	$ -	$ 7,000,000
6774/96	April 16/96	14,801,000	1,144,000	-	-	-	-	15,945,000
6973/97	March 17/97	27,254,138	463,325	-	-	-	-	27,717,463
6976/97	March 17/97	18,213,000	650,000	-	-	-	-	18,863,000
7125/98	January 22/98	-	1,062,000	-	-	-	-	1,062,000
7751/01	March 9/01	14,699,820	770,000	-	-	-	-	15,469,820
183/2004	January 13/05	-	-	-	16,084,000	-	-	16,084,000
72/2006	March 22/06	3,902,000	6,808,000	-	-	-	-	10,710,000
32/2007	February 21/07	1,696,000	3,417,000	16,800,000	7,638,000	-	-	29,551,000
219/2007	January 23/08	3,488,000	-	-	37,200,000	-	-	40,688,000
184/2008	May 27/09	7,845,000	-	-	50,715,000	-	-	58,560,000
120/2009	November 25/09	50,000,000	-	-	-	-	-	50,000,000
150/2009	January 27/10	11,300,000	-	-	69,865,000	5,858,000	-	87,023,000
	July 12/10	-	-	-	-	-	3,400,000	3,400,000
	March 23/11	-	-	-	-	-	6,700,000	6,700,000
93/2011	September 28/11	81,334,000	-	-	-	-	-	81,334,000
144/2011	January 25/12	45,967,000	-	-	-	14,250,000	-	60,217,000
	March 21/12	-	-	-	-	-	7,200,000	7,200,000
	November 14/12	-	-	-	-	-	11,300,000	11,300,000
100/2012	December 12/12	51,000,000	-	-	-	-	-	51,000,000
		$ 338,499,958	$ 14,314,325	$ 16,800,000	$ 181,502,000	$ 20,108,000	$ 28,600,000	$ 599,824,283

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

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

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS (continued)
As at December 31, 2012

Outstanding Capital Borrowing Authorization at December 31, 2011	$	562,693,283
Add:		
By-law 138/2011		41,414,000
By-law 144/2011		60,217,000
By-law 100/2012		51,000,000
Fleet Management Agency Authorization March 21, 2012		7,200,000
Fleet Management Agency Authorization November 14, 2012		11,300,000
Deduct:		
Debt Issued		(125,000,000)
Toronto Dominion Bank Loan Facility		(9,000,000)
Outstanding Capital Borrowing Authorization at December 31, 2012	$	599,824,283

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

DEBENTURE DEBT ISSUES
As at December 31, 2012

Term	Month	Interest Rate	By-Law Number	Amount of Debt	
The City of Winnipeg					
Sinking Fund Debt					
1993-2013	Feb. 11	9.375	6090/93		$ 90,000,000
1994-2014	Jan. 20	8.000	6300/94		85,000,000
1995-2015	May 12	9.125	6620/95		88,000,000
1997-2017	Nov. 17	6.250	7000/97		30,000,000
2006-2036	July 17	5.200	72/2006		60,000,000
2008-2036	July 17	5.200	72/2006B		100,000,000
2010-2041	June 3	5.150	183/2008		60,000,000
2011-2051	Nov. 15	4.300	72/06 & 183/08 & 150/09		50,000,000
2012-2051	Nov. 15	3.853	93/2011		50,000,000
2012-2051	Nov. 15	3.759	120/09 & 93/11 & 138/11		75,000,000
					688,000,000
Serial Debt					
2003-2013	Jan. 17	5.350	8138/02	$ 12,103,000	
2004-2014	Mar. 24	4.600	86/2003	10,845,000	
2009-2019	Oct. 6	4.500	46/2007 & 31/2009	33,936,000	56,884,000
Total Debt					$ 744,884,000

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

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE
As at December 31, 2012

	Debenture Debt		
Description	**Gross**	**Sinking Fund**	**Net**
Tax-Supported			
General	$ 298,237,434	$ 120,993,750	$ 177,243,684
Unallocated Sinking Fund Deficit	-	(6,403,165)	6,403,165
Total Tax-Supported	298,237,434	114,590,585	183,646,849
Other Funds			
Municipal Accommodations	55,828,258	8,997,231	46,831,027
Transit System	109,708,514	18,482,449	91,226,065
Total Tax-Supported and Other Funds	463,774,206	142,070,265	321,703,941
City-Owned Utilities			
Solid Waste Disposal	1,000,000	806,423	193,577
Waterworks System	203,000,000	51,397,693	151,602,307
Sewage Disposal System	77,109,794	69,762,920	7,346,874
Total City-Owned Utilities	281,109,794	121,967,036	159,142,758
	$ 744,884,000	$ 264,037,301	$ 480,846,699

	2013 Fixed Annual Charges		
Description	**Interest**	**Principal**	**Total**
Tax-Supported	$ 17,699,374	$ 23,969,101	$ 41,668,475
Other Funds			
Municipal Accommodations	2,522,418	1,986,079	4,508,497
Transit System	6,030,333	2,536,872	8,567,205
Total Tax-Supported and Other Funds	26,252,125	28,492,052	54,744,177
City-Owned Utilities			
Solid Waste Disposal	91,250	30,243	121,493
Waterworks System	12,110,000	4,136,431	16,246,431
Sewage Disposal System	6,578,230	3,926,998	10,505,228
Total City-Owned Utilities	18,779,480	8,093,672	26,873,152
	$ 45,031,605	$ 36,585,724	$ 81,617,329

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

DEBENTURE DEBT CHANGES DURING 2012

Gross Debt as at January 1, 2012			$ 641,332,000
Debt Issued During 2012			
Tax-Supported Debt:			
Police	$ 58,586,000		
Streets and Bridges System	25,000,000	$ 83,586,000	
Utilities Debt:			
Municipal Accommodations		41,414,000	125,000,000
Sub-total			766,332,000
Debt Retired During 2012			
Tax-Supported Debt:			
Assessment - Special Projects	98,052		
Business Liaison - Special Projects	310		
Community Improvement Program	77,450		
Community Services - Special Projects	26,550		
Convention Centre	27,629		
Core Area Programs	1,728,855		
Corporate Finance - Special Projects	5,576		
Culture and Recreation	1,361,914		
Fire	61,684		
Health and Social Development	425,730		
Infrastructure	130,116		
Infrastructure - Land Drainage	88,065		
Infrastructure - Parks and Recreation	19,335		
Infrastructure - Streets and Bridges	123,900		
Land Acquisition	17,861		
Land Drainage	2,117,910		
Land and Development - Special Projects	146,659		
Libraries	73,064		
North Portage Development	171,362		
Overhead Walkways	19,165		
Parks and Recreation	358,511		
Parks and Recreation - Special Projects	75,281		
Police	195,146		
Protection	690,483		
Special Projects	656,752		
Streets and Bridges System	9,066,124		
Winnipeg Development Agreement	123,920	17,887,404	
Utilities Debt:			
Transit	740,298		
Sewage Disposal System	1,580,430		
Municipal Accommodations	1,239,868	3,560,596	(21,448,000)
Gross Debt as at December 31, 2012			$ 744,884,000

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

DEBENTURE DEBT - MATURITY BY YEARS
As at December 31, 2012

Maturity Year	Sinking Fund Debt	Serial and Installment Debt	Total	%
2013	$ 90,000,000	$ 22,263,000	$ 112,263,000	15.07
2014	85,000,000	10,381,000	95,381,000	12.80
2015	88,000,000	4,848,000	92,848,000	12.47
2016	-	4,848,000	4,848,000	0.65
2017	30,000,000	4,848,000	34,848,000	4.68
2018	-	4,848,000	4,848,000	0.65
2019	-	4,848,000	4,848,000	0.65
2036	160,000,000	-	160,000,000	21.48
2041	60,000,000	-	60,000,000	8.06
2051	175,000,000	-	175,000,000	23.49
Gross Debt	$ 688,000,000	$ 56,884,000	744,884,000	100.00
Less: Sinking Fund Reserve			264,037,301	
Net Debt			$ 480,846,699	

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

DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES
As at December 31, 2012

Maturity Year	General Tax-Supported	Transit System	Waterworks System	Sewage Disposal System	Solid Waste Disposal	Municipal Accommodations	Total
2013	$ 56,755,792	$ 5,772,818	$ 5,000,000	$ 41,658,804	$ -	$ 3,075,586	$ 112,263,000
2014	31,237,593	6,810,696	13,000,000	35,450,990	-	8,881,721	95,381,000
2015	59,161,185	7,075,000	25,000,000	-	1,000,000	611,815	92,848,000
2016	4,311,716	75,000	-	-	-	461,284	4,848,000
2017	34,311,716	75,000	-	-	-	461,284	34,848,000
2018	4,311,716	75,000	-	-	-	461,284	4,848,000
2019	4,311,716	75,000	-	-	-	461,284	4,848,000
2036	-	-	160,000,000	-	-	-	160,000,000
2041	-	60,000,000	-	-	-	-	60,000,000
2051	45,250,000	29,750,000	-	-	-	100,000,000	175,000,000
	$ 239,651,434	$ 109,708,514	$ 203,000,000	$ 77,109,794	$ 1,000,000	$ 114,414,258	$ 744,884,000

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

ANNUAL DEBENTURE DEBT SERVICE CHARGES ON EXISTING DEBT
For the years ending December 31

	Tax-Supported			Utilities (Includes Transit System)			
Year	**Principal**	**Interest**	**Sub-total**	**Principal**	**Interest**	**Sub-total**	**Total**
2013	$ 23,969,101	$ 17,699,374	$ 41,668,475	$ 12,616,623	$ 27,332,231	$ 39,948,854	$ 81,617,329
2014	13,010,930	13,762,634	26,773,564	8,970,961	22,405,154	31,376,115	58,149,679
2015	7,313,296	9,523,768	16,837,064	6,564,975	19,623,875	26,188,850	43,025,914
2016	5,654,507	4,364,288	10,018,795	5,562,417	16,579,677	22,142,094	32,160,889
2017	5,654,507	4,196,763	9,851,270	5,562,417	16,558,840	22,121,257	31,972,527
2018	4,747,307	2,146,247	6,893,554	5,562,417	16,537,010	22,099,427	28,992,981
2019	4,747,307	1,958,811	6,706,118	5,562,417	16,513,697	22,076,114	28,782,232
2020-2036	7,405,020	30,778,500	38,183,520	85,444,247	280,419,248	365,863,495	404,047,015
2037-2041	2,177,950	9,052,500	11,230,450	10,950,665	40,876,250	51,826,915	63,057,365
2042-2051	4,355,900	18,105,000	22,460,900	12,635,260	50,852,500	63,487,760	85,948,660
	$ 79,035,825	$ 111,587,885	$ 190,623,710	$ 159,432,399	$ 507,698,482	$ 667,130,881	$ 857,754,591

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE
As at December 31, 2012

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2013 Interest	Annual Charges 2013 Principal	Sinking Fund Reserve at Dec. 31, 2012
STREETS AND BRIDGE SYSTEM								
(street improvements, street lighting, bridges and underpasses)								
8138/02	$ 4,572,088	Jan. 17, 2003-2013	CAN	Serial	5.350	$ 11,393	$ 4,572,088	$ -
6090/93	14,067,475	Feb. 11, 1993-2013	CAN	5.000	9.375	1,318,826	425,437	13,567,287
6300/94	11,509,146	Jan. 20, 1994-2014	CAN	5.000	8.000	920,732	348,066	10,254,706
86/2003	4,830,212	Mar. 24, 2004-2014	CAN	Serial	4.600	137,568	2,365,891	-
6620/95	22,633,969	May 12, 1995-2015	CAN	5.000	9.125	2,065,350	684,510	18,252,545
7000/97	20,700,000	Nov. 17, 1997-2017	CAN	5.000	6.250	1,293,750	625,968	13,588,906
46/2007 & 31/2009	17,152,035	Nov 15, 2011-2051	CAN	Serial	4.500	628,909	2,450,291	-
72/06 & 183/08 & 150/09	18,700,000	Nov 15, 2011-2051	CAN	4.500	4.300	804,100	174,717	175,708
120/09 & 93/11 & 138/11	25,000,000	Nov 15, 2012-2051	CAN	4.500	3.759	939,750	246,392	-
	139,164,925					8,120,378	11,893,360	55,839,152
LAND DRAINAGE								
(storm water relief sewers, drainage sewers and flood control)								
8138/02	1,237,592	Jan. 17, 2003-2013	CAN	Serial	5.350	3,084	1,237,592	-
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	1,253,777
6300/94	2,625,312	Jan. 20, 1994-2014	CAN	5.000	8.000	210,025	79,396	2,339,166
86/2003	1,226,670	Mar. 24, 2004-2014	CAN	Serial	4.600	34,937	600,837	-
6620/95	2,251,500	May 12, 1995-2015	CAN	5.000	9.125	205,449	68,091	1,815,661
7000/97	4,900,000	Nov. 17, 1997-2017	CAN	5.000	6.250	306,250	148,176	3,216,697
46/2007 & 31/2009	2,555,760	Oct 6, 2009-2019	CAN	Serial	4.500	93,711	365,109	-
	16,096,834					975,331	2,538,516	8,625,301

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2012

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2013 Interest	Annual Charges 2013 Principal	Sinking Fund Reserve at Dec. 31, 2012
CULTURE AND RECREATION								
(parks, swimming pools, arenas, golf courses, zoo, libraries, etc.)								
8138/02	1,271,994	Jan. 17, 2003-2013	CAN	Serial	5.350	3,170	1,271,994	-
86/2003	326,134	Mar. 24, 2004-2014	CAN	Serial	4.600	9,288	159,744	-
	1,598,128					12,458	1,431,738	-
PARKS AND RECREATION								
6090/93	5,360,525	Feb. 11, 1993-2013	CAN	5.000	9.375	502,549	162,116	5,169,924
6300/94	5,648,659	Jan. 20, 1994-2014	CAN	5.000	8.000	451,893	170,830	5,032,983
86/2003	156,790	Mar. 24, 2004-2014	CAN	Serial	4.600	4,465	76,798	-
6620/95	850,000	May 12, 1995-2015	CAN	5.000	9.125	77,563	25,706	685,459
46/2007 & 31/2009	1,993,350	Oct 6, 2009-2019	CAN	Serial	4.500	73,090	284,764	-
	14,009,324					1,109,560	720,214	10,888,366
LIBRARIES								
6090/93	100,000	Feb. 11, 1993-2013	CAN	5.000	9.375	9,375	3,024	96,444
6300/94	73,040	Jan. 20, 1994-2014	CAN	5.000	8.000	5,843	2,209	65,079
86/2003	63,222	Mar. 24, 2004-2014	CAN	Serial	4.600	1,800	30,967	-
6620/95	10,000	May 12, 1995-2015	CAN	5.000	9.125	913	302	8,064
46/2007 & 31/2009	303,294	Oct 6, 2009-2019	CAN	Serial	4.500	11,121	43,328	-
	549,556					29,052	79,830	169,587

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2012

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2013 Interest	Annual Charges 2013 Principal	Sinking Fund Reserve at Dec. 31, 2012
PROTECTION								
(fire halls, police garage and public safety building)								
8138/02	583,319	Jan. 17, 2003-2013	CAN	Serial	5.350	1,454	583,319	-
86/2003	289,728	Mar. 24, 2004-2014	CAN	Serial	4.600	8,251	141,912	-
	873,047					9,705	725,231	-
FIRE								
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	1,253,777
6300/94	13,791	Jan. 20, 1994-2014	CAN	5.000	8.000	1,103	417	12,288
86/2003	77,990	Mar. 24, 2004-2014	CAN	Serial	4.600	2,221	38,200	-
6620/95	2,000	May 12, 1995-2015	CAN	5.000	9.125	183	60	1,613
7000/97	1,800,000	Nov. 17, 1997-2017	CAN	5.000	6.250	112,500	54,432	1,181,644
46/2007 & 31/2009	175,006	Oct 6, 2009-2019	CAN	Serial	4.500	6,417	25,001	-
	3,368,787					244,299	157,425	2,449,322
POLICE								
6090/93	1,600,000	Feb. 11, 1993-2013	CAN	5.000	9.375	150,000	48,388	1,543,110
6300/94	335,678	Jan. 20, 1994-2014	CAN	5.000	8.000	26,854	10,152	299,091
86/2003	15,173	Mar. 24, 2004-2014	CAN	Serial	4.600	432	7,432	-
6620/95	100,000	May 12, 1995-2015	CAN	5.000	9.125	9,125	3,024	80,642
46/2007 & 31/2009	1,316,065	Oct 6, 2009-2019	CAN	Serial	4.500	48,256	188,009	-
93/2011	50,000,000	Nov 15, 2012-2051	CAN	4.500	3.853	1,926,500	492,784	-
120/09 & 93/11 & 138/11	8,586,000	Nov 15, 2012-2051	CAN	4.500	3.759	322,748	84,621	-
	61,952,916					2,483,915	834,410	1,922,843

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2012

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2013 Interest	Annual Charges 2013 Principal	Sinking Fund Reserve at Dec. 31, 2012
HEALTH AND SOCIAL DEVELOPMENT								
(urban renewal, community health centres and hospital capital grants)								
8138/02	309,423	Jan. 17, 2003-2013	CAN	Serial	5.350	771	309,423	-
6090/93	150,000	Feb. 11, 1993-2013	CAN	5.000	9.375	14,063	4,536	144,667
6300/94	12,723	Jan. 20, 1994-2014	CAN	5.000	8.000	1,018	385	11,336
86/2003	280,105	Mar. 24, 2004-2014	CAN	Serial	4.600	7,977	137,199	-
	752,251					23,829	451,543	156,003
SPECIAL PROJECTS								
8138/02	487,935	Jan. 17, 2003-2013	CAN	Serial	5.350	1,216	487,935	-
6090/93	14,098,000	Feb. 11, 1993-2013	CAN	5.000	9.375	1,321,688	426,360	13,596,727
6300/94	2,267,324	Jan. 20, 1994-2014	CAN	5.000	8.000	181,386	68,570	2,020,197
86/2003	325,642	Mar. 24, 2004-2014	CAN	Serial	4.600	9,274	159,503	-
6620/95	667,000	May 12, 1995-2015	CAN	5.000	9.125	60,864	20,172	537,884
46/2007 & 31/2009	280,000	Oct 6, 2009-2019	CAN	Serial	4.500	10,267	40,000	-
	18,125,901					1,584,695	1,202,540	16,154,808
CONVENTION CENTRE								
8138/02	29,080	Jan. 17, 2003-2013	CAN	Serial	5.350	72	29,080	-
6090/93	225,000	Feb. 11, 1993-2013	CAN	5.000	9.375	21,094	6,805	217,000
6620/95	3,100,000	May 12, 1995-2015	CAN	5.000	9.125	282,875	93,752	2,499,910
	3,354,080					304,041	129,637	2,716,910

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2012

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2013 Interest	Annual Charges 2013 Principal	Sinking Fund Reserve at Dec. 31, 2012
OVERHEAD WALKWAYS								
86/2003	40,746	Mar. 24, 2004-2014	CAN	Serial	4.600	1,160	19,958	-
CORE AREA PROGRAM								
8138/02	1,308,431	Jan. 17, 2003-2013	CAN	Serial	5.350	3,260	1,308,431	-
86/2003	1,032,670	Mar. 24, 2004-2014	CAN	Serial	4.600	29,411	505,813	-
6620/95	235,000	May 12, 1995-2015	CAN	5.000	9.125	21,444	7,107	189,509
7000/97	1,000,000	Nov. 17, 1997-2017	CAN	5.000	6.250	62,500	30,240	656,469
	3,576,101					116,615	1,851,591	845,978
NORTH PORTAGE DEVELOPMENT								
8138/02	180,363	Jan. 17, 2003-2013	CAN	Serial	5.350	449	180,363	-
LAND ACQUISITION								
86/2003	37,974	Mar. 24, 2004-2014	CAN	Serial	4.600	1,082	18,600	-
INFRASTRUCTURE								
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	20,160,566
46/2007 & 31/2009	910,813	Oct 6, 2009-2019	CAN	Serial	4.500	33,397	130,116	-
	25,910,813					2,314,647	886,181	20,160,566
INFRASTRUCTURE - LAND DRAINAGE								
46/2007 & 31/2009	616,455	Oct 6, 2009-2019	CAN	Serial	4.500	22,603	88,065	-

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2012

				Interest Rates %		Annual Charges 2013		Sinking Fund
By-law Number	Amount of Debt	Term of Debt	Payable	Sinking Fund	Debt	Interest	Principal	Reserve at Dec. 31, 2012
INFRASTRUCTURE - PARKS AND RECREATION								
46/2007 & 31/2009	135,345	Oct 6, 2009-2019	CAN	Serial	4.500	4,963	19,335	-
INFRASTRUCTURE - STREETS AND BRIDGES								
7000/97	1,600,000	Nov. 17, 1997-2017	CAN	5.000	6.250	100,000	48,384	1,050,350
46/2007 & 31/2009	867,300	Oct 6, 2009-2019	CAN	Serial	4.500	31,801	123,900	-
	2,467,300					131,801	172,284	1,050,350
COMMUNITY IMPROVEMENT PROGRAM								
46/2007 & 31/2009	542,150	Oct 6, 2009-2019	CAN	Serial	4.500	19,879	77,450	-
LOCAL IMPROVEMENTS								
72/06 & 183/08 & 150/09	1,550,000	Nov 15, 2011-2051	CAN	4.500	4.300	66,650	14,482	14,564
WINNIPEG DEVELOPMENT AGREEMENT								
46/2007 & 31/2009	867,440	Oct 6, 2009-2019	CAN	Serial	4.500	31,806	123,920	-
SPECIAL PROJECTS - PARKS AND RECREATION								
46/2007 & 31/2009	526,969	Oct 6, 2009-2019	CAN	Serial	4.500	19,322	75,281	-

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2012

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2013 Interest	Annual Charges 2013 Principal	Sinking Fund Reserve at Dec. 31, 2012
SPECIAL PROJECTS - COMMUNITY SERVICES								
46/2007 & 31/2009	185,849	Oct 6, 2009-2019	CAN	Serial	4.500	6,814	26,550	-
SPECIAL PROJECTS - LAND AND DEVELOPMENT								
46/2007 & 31/2009	1,026,616	Oct 6, 2009-2019	CAN	Serial	4.500	37,643	146,659	-
SPECIAL PROJECTS - ASSESSMENT								
46/2007 & 31/2009	686,362	Oct 6, 2009-2019	CAN	Serial	4.500	25,167	98,052	-
SPECIAL PROJECTS - CORPORATE FINANCE								
46/2007 & 31/2009	39,035	Oct 6, 2009-2019	CAN	Serial	4.500	1,431	5,576	-
SPECIAL PROJECTS - BUSINESS LIAISON								
46/2007 & 31/2009	2,167	Oct 6, 2009-2019	CAN	Serial	4.500	79	310	-
Tax-Supported Total	**298,237,434**					**17,699,374**	**23,969,101**	**120,993,750**

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

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE
As at December 31, 2012

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Debt	Annual Charges 2013 Interest	Principal	Sinking Fund Reserve at Dec. 31, 2012
TRANSIT SYSTEM								
8138/02	471,537	Jan. 17, 2003-2013	CAN	Serial	5.350	1,175	471,537	-
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	4,822,218
6300/94	6,500,000	Jan. 20, 1994-2014	CAN	5.000	8.000	520,000	196,577	5,791,532
86/2003	461,977	Mar. 24, 2004-2014	CAN	Serial	4.600	13,158	226,281	-
6620/95	7,000,000	May 12, 1995-2015	CAN	5.000	9.125	638,750	211,698	5,644,959
46/2007 & 31/2009	525,000	Oct 6, 2009-2019	CAN	Serial	4.500	19,250	75,000	-
183/2008	60,000,000	June 3, 2010-2041	CAN	4.500	5.150	3,090,000	926,607	1,944,205
72/06 & 183/08 & 150/09	29,750,000	Nov 15, 2011-2051	CAN	4.500	4.300	1,279,250	277,959	279,535
	109,708,514					6,030,333	2,536,872	18,482,449
WATERWORKS SYSTEM								
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	4,822,218
6300/94	13,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	1,040,000	393,154	11,583,064
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,064	20,160,567
72/2006	60,000,000	July17, 2006-2036	CAN	4.500	5.200	3,120,000	984,000	6,745,503
72/2006B	100,000,000	July17, 2008-2036	CAN	4.500	5.200	5,200,000	1,852,000	8,086,341
	203,000,000					12,110,000	4,136,431	51,397,693

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

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2012

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2013 Interest	Annual Charges 2013 Principal	Sinking Fund Reserve at Dec. 31, 2012
SEWAGE DISPOSAL SYSTEM								
8138/02	1,225,827	Jan. 17, 2003-2013	CAN	Serial	5.350	3,054	1,225,827	-
6090/93	40,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	3,750,000	1,209,703	38,577,747
6300/94	35,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	2,800,000	1,058,491	31,185,173
86/2003	883,967	Mar. 24, 2004-2014	CAN	Serial	4.600	25,176	432,977	-
	77,109,794					6,578,230	3,926,998	69,762,920
SOLID WASTE DISPOSAL								
6620/95	1,000,000	May 12, 1995-2015	CAN	5.000	9.125	91,250	30,243	806,423
MUNICIPAL ACCOMMODATIONS								
8138/02	425,411	Jan. 17, 2003-2013	CAN	Serial	5.350	1,060	425,411	-
6090/93	1,799,000	Feb. 11, 1993-2013	CAN	5.000	9.375	168,656	54,406	1,735,034
6300/94	8,014,327	Jan. 20, 1994-2014	CAN	5.000	8.000	641,146	242,374	7,140,805
86/2003	796,002	Mar. 24, 2004-2014	CAN	Serial	4.600	22,672	389,889	-
6620/95	150,531	May 12, 1995-2015	CAN	5.000	9.125	13,736	4,552	121,392
46/2007 & 31/2009	3,228,987	Oct 6, 2009-2019	CAN	Serial	4.500	118,396	461,284	-
120/09 & 93/11 & 138/11	41,414,000	Nov 15, 2012-2051	CAN	4.500	3.759	1,556,752	408,163	-
	55,828,258					2,522,418	1,986,079	8,997,231
Utility Total	**446,646,566**					**27,332,231**	**12,616,623**	**149,446,716**

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

As at December 31, 2012

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2013 Interest	Annual Charges 2013 Principal	Sinking Fund Reserve at Dec. 31, 2012
Unallocated Sinking Fund Deficit								(6,403,165)
Grand Total	**$ 744,884,000**					**$ 45,031,605**	**$ 36,585,724**	**$ 264,037,301**

Note: With passing of the new City of Winnipeg Charter in 2003, the City is no longer required to pass a by-law when it issues debentures.

PHOTO: The Forks North Portage Partnership

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