2014 DETAILED FINANCIAL STATEMENTS

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2014 CONSOLIDATED FINANCIAL STATEMENTS

DETAILED FINANCIAL STATEMENTS

REPORT FROM THE CHIEF FINANCIAL OFFICER
FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

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

Financial Reporting Model

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

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

Funds, Entities, and Investment in Government Businesses

As noted above, the Statements are consolidated, meaning they reflect all resources and operations controlled by the City. This includes departments, special operating agencies, utility operations of the City, and entities that are controlled by the City, as well as the City's investment in government businesses. The following is a brief description of the major funds, entities and investments included in the Statements.

Funds

A fund is accountable and 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 demonstrate its accountability. of the resources allocated for the services the particular fund delivers.

The General Revenue Fund reports on tax-supported operations, which include services provided by the City such as police, fire, ambulance, library and street maintenance. The General Capital Fund exists 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 accounts for its own operations and capital program.

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

The SOAs have been given the authority to provide public services, internal services, and regulatory and enforcement programs. SOA status is granted when it is in the City's interest that the service delivery model remains within the government, but it requires greater flexibility to operate in a more business-like manner. Each SOA is governed by its own operating charter and each 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 Financial Stabilization Reserve assists in the funding of major unexpected expenses or revenue deficits reported in the General Revenue Fund.

Entities and Investment in Government Businesses

The civic corporations included in the Statements are the Assiniboine Park Conservancy Inc., Winnipeg Public Library Board, The Convention Centre Corporation, Winnipeg Enterprises Corporation, Winnipeg Arts Council Inc., and CentreVenture Development Corporation. Previously, Economic Development Winnipeg Inc. ("EDWI") was included in this category. As a result of further analysis performed this past year, it was concluded that the City does not control EDWI, but it does share joint control with the Province of Manitoba. Accordingly, EDWI is treated as a government partnership and is proportionately consolidated.
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 investments in government businesses.

Consolidated Statement of Financial Position

Financial statements should present information to describe the government's financial position at the end of the accounting period. Such information is useful in evaluating the government's ability to finance its activities and to meet its liabilities and contractual obligations, as well as the government's ability to provide future services. To this end, governments need to understand the total economic resources they have on hand to deliver services. These resources can be financial (e.g., cash, accounts receivable) and non-financial (e.g., tangible capital assets).

At the same time, in respect of services delivered, governments will have liabilities to be settled in the future that will consume the financial resources. This is measured by the government's net financial asset/liability position. This measure must be considered in tandem with accumulated surplus to determine the government's ability to deliver services in the future. A significant portion of accumulated surplus includes the investment made in tangible capital assets which, for governments, represent service delivery capacity.

As at December 31, 2014, the City reports:

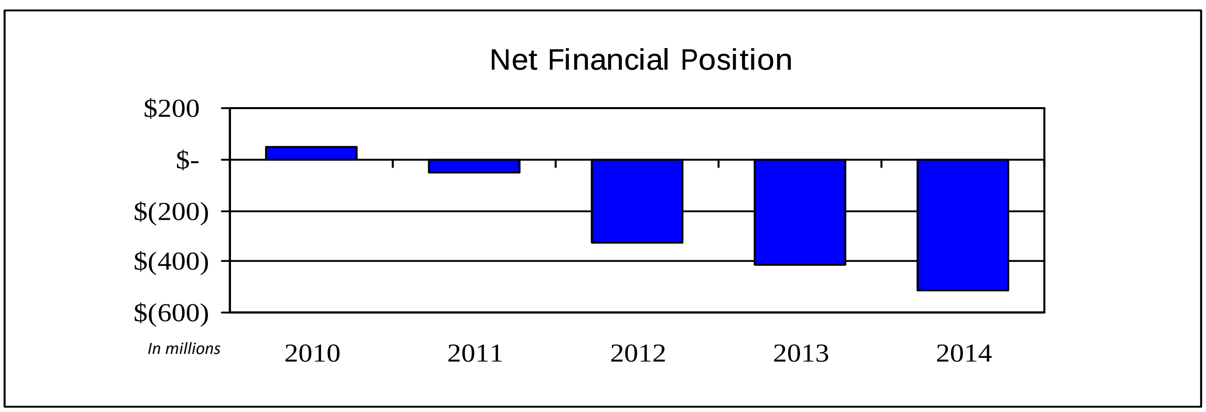
(in thousands of dollars)	2014	2013	Variance
Cash and cash equivalents	$ 335,726	$ 329,661	$ 6,065
Other financial assets	688,470	617,919	70,551
Financial assets	1,024,196	947,580	76,616
Liabilities	1,534,092	1,358,643	(175,449)
Net financial position	(509,896)	(411,063)	(98,833)
Non-financial assets	5,870,236	5,558,726	311,510
Accumulated surplus	$ 5,360,340	$ 5,147,663	$ 212,677

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

Cash Resources

The cash resources of the City are its cash and cash equivalents. It includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Cash equivalents are held for meeting short-term obligations rather than for other purposes like investing. During 2014, the City's cash increased by $6.1 million. This increase resulted primarily because cash arising from financing and operating activities exceeded cash used to construct and purchase tangible capital assets.

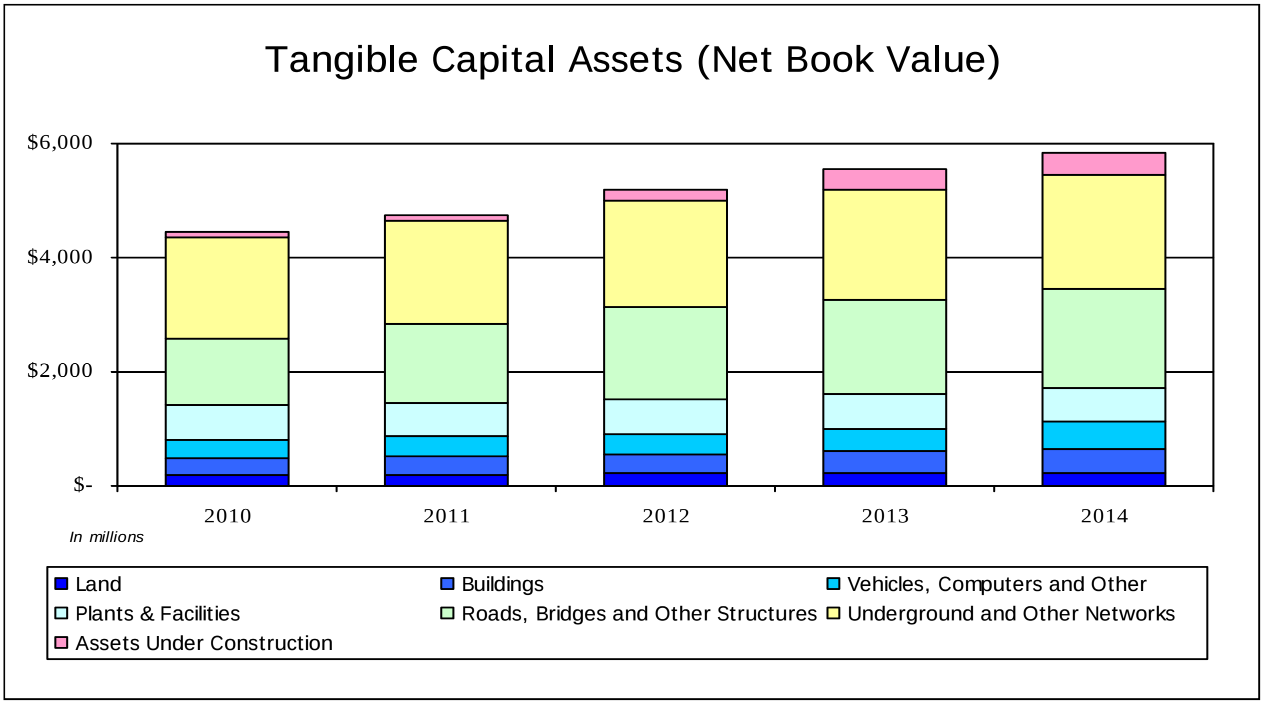
Net Financial Position



Net financial position is the difference between financial assets and liabilities, which indicate the affordability of additional spending. As at December 31, 2014, the City was in a net financial liability position of $509.9 million (2013 - $411.1 million). The change in net financial position during the year resulted primarily from increased debt balances.

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 and leased tangible capital assets, inventories of supplies, and prepaid expenses. Tangible capital assets are the most significant component of non-financial assets.



As indicated in the chart above, the City continues to invest in its infrastructure. The acquisition of tangible capital assets is the result of a capital budget plan. The challenge in creating a capital budget is balancing infrastructure needs with fiscal responsibility. On December 17, 2013, City Council adopted the 2014 annual capital budget and the 2015 to 2019 five-year forecast. The six-year plan projected $2.7 billion in City capital projects, with $379.5 million authorized in 2014. Some of the projects included in the 2014 capital budget are:

- $84.2 million for regional and local street renewal including an additional $10.0 million for Polo Park Area Infrastructure Improvements.
- Investments in Parks and Recreation, including $1.8 million for active transportation facilities, $1.0 million for reforestation improvements, $1.0 million for athletic fields improvements and a new parks and recreation enhancement program authorized at $6.3 million.

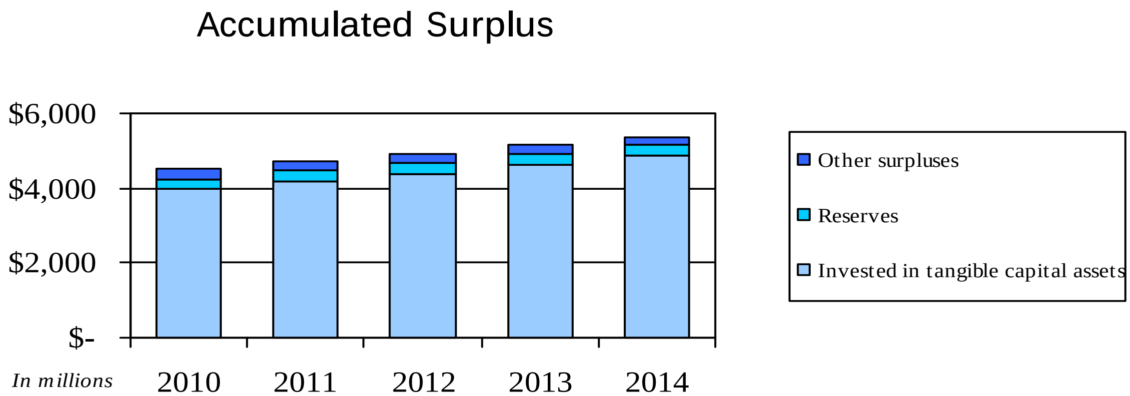
Also included in the capital investment plan over the six-year period is anticipated funding of $242.7 million under the Federal Gas Tax Agreement, $344.0 million of anticipated provincial funding and $482.9 million of cash funding.

During 2014, the City acquired $518.4 million of tangible capital assets (2013 - $543.9 million), including contributed roads and underground networks totaling $64.5 million (2013 - $91.9 million). These were capitalized at their fair value at the time of receipt. As well, of the assets acquired, $279.8 million was for tax-supported projects (54%). Spending on tax-supported projects was primarily on roads, a priority of City Council.

Accumulated Surplus

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

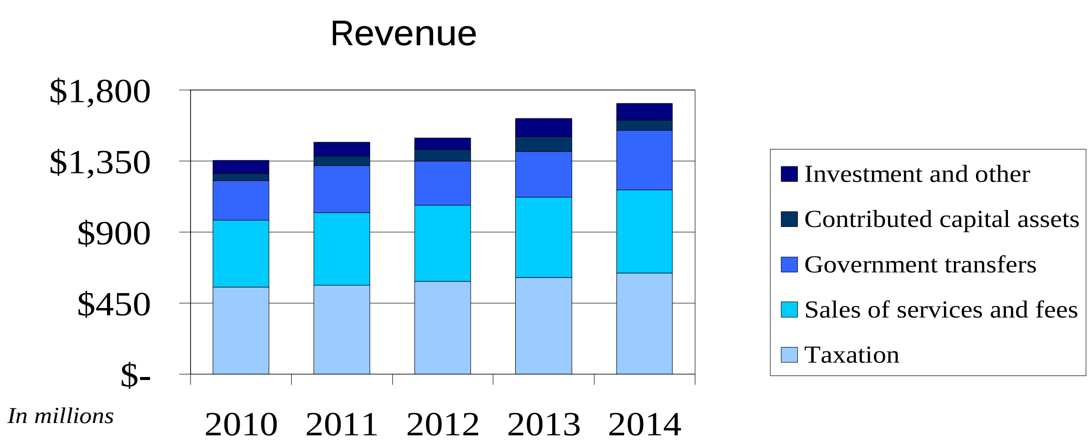
Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements, along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and legal liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2014- 91%; 2013- 90%). Investment in tangible capital assets is not readily accessible for use in funding ongoing operations.



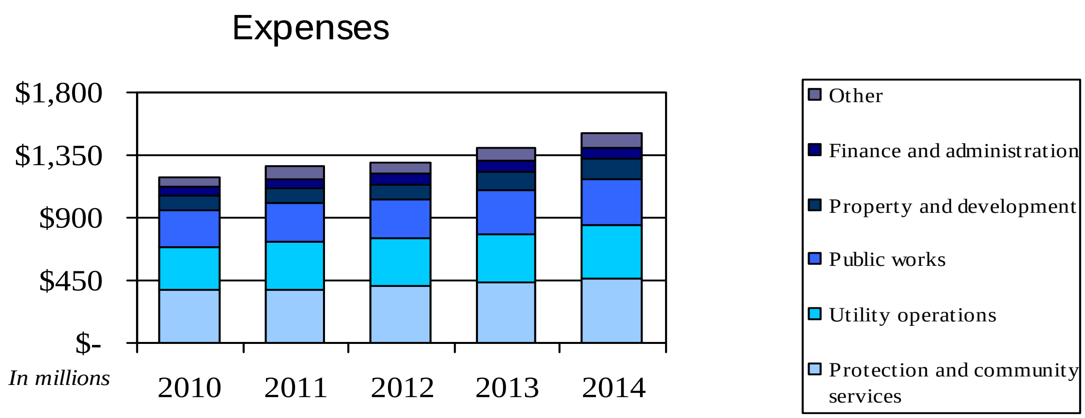
The City's accumulated surplus, through its investment in tangible capital assets, has grown over the period, indicating a strong foundation upon which services will continue to be delivered in the future.

Consolidated Statement of Operations

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



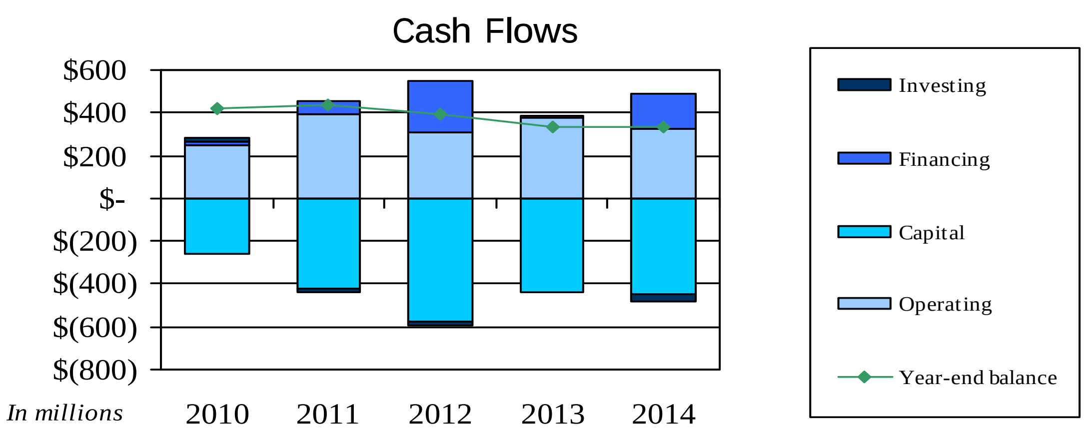
Beyond government transfers, the City has a good balance of revenue sources, with the majority coming from taxation, sales of services and regulatory fees. PSAB has introduced indicators of financial condition to assist users of government financial statements to assess financial condition. Indicators of vulnerability measure a government's risk of over-dependency on sources of funding outside its control or influence or exposure to risks that could impair its ability to meet financial and service commitments. Over the five year period presented, government transfers as a percentage of total revenue has been stable, ranging from 18% to 22%.



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

Consolidated Statement of Cash Flows

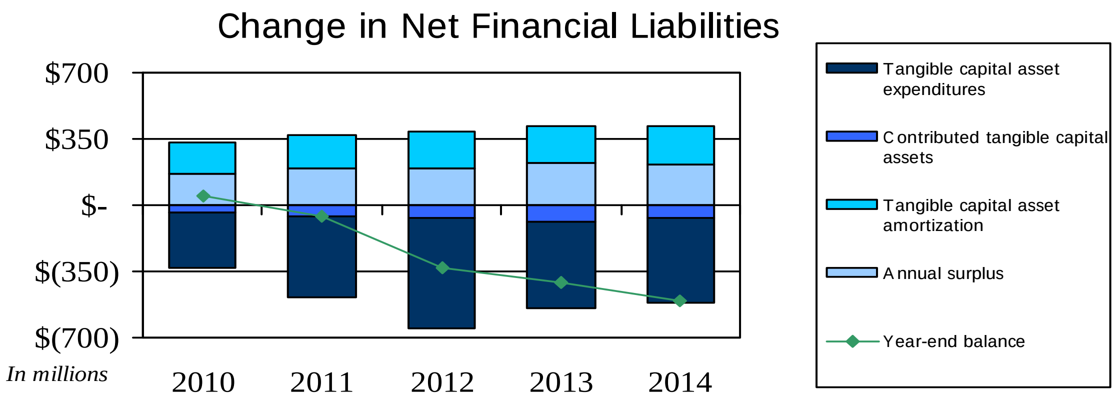
A government finances its activities and meets its obligations by generating revenues, through external borrowing and using existing cash resources. Cash resources are generated and consumed through operating, capital, financing and investing activities.



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

Consolidated Statement of Change in Net Financial Liabilities

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



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

Even though the City has assumed more debt in recent years, it has done so responsibly. This statement is reflected in the results of its credit rating review. Late in 2014, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was: "strong economic fundamentals, and exceptional liquidity position" as well as "strong financial management". However, S&P noted these strengths are offset somewhat by moderate-but-rising debt burden, and large capital expenditure requirements that limit the otherwise strong budgetary flexibility. Moody's Investors Service announced in February 2014 it would also be maintaining the City's credit rating at Aa1, but in August 2014 the outlook was downgraded from stable to negative, reflecting a similar change to the Province of Manitoba's outlook.

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

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

Analysis of Statements

The following analysis provides enhanced detail on the Statements.

Accounts Receivable

The accounts receivable balance has increased $39 million since the prior year, largely as a result of amounts owed by the Federal and Provincial governments for funding of capital investments, as well as ambulance services.

The largest component of accounts receivable is trade accounts and other receivables at 50% (2013 - 57%). Approximately 37% of trade accounts and other receivables result from services rendered in the Waterworks System and Sewage Disposal System. Management has determined credit risk to be low on these outstanding receivables and has provided an allowance for doubtful accounts of $400 thousand (2013 - $400 thousand).

As at December 31, 2014, property, payments-in-lieu and business tax receivables, net of the estimated allowance for uncollectible amounts, represented 16% (2013 - 18%) of total receivables. Taxation revenue is 37% (2013 - 38%) of total consolidated revenues.

Taxes Receivable As at December 31 (in thousands of dollars)	2014	2013	2012	2011	2010
Taxes receivable	$ 54,825	$ 49,592	$ 37,960	$ 34,747	$ 34,387
Allowance for tax arrears	(6,183)	(3,694)	(3,351)	(2,629)	(3,080)
	$ 48,642	$ 45,898	$ 34,609	$ 32,118	$ 31,307

Investments

Investments As at December 31 (in thousands of dollars)	2014	2013
Marketable securities		
Provincial	$ 8,095	$ 5,750
Municipal	90,863	68,482
	98,958	74,232
Manitoba Hydro long-term receivable	220,238	220,238
Other	18,855	12,346
	$ 338,051	$ 306,816
Market value of marketable securities	$ 104,357	$ 73,892

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 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, which coincides with the payments remaining at $16 million in perpetuity.

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

Debt

Debt As at December 31 (in thousands of dollars)	2014	2013
Sinking fund debentures	$ 745,568	$ 658,000
Equity in sinking funds	(125,630)	(195,237)
	619,938	462,763
Serial and instalment debt	24,240	34,621
Bank, Province of Manitoba and other loans	117,168	109,263
Capital lease obligations	25,474	26,056
Service concession arrangement obligations	155,814	157,344
	942,634	790,047
Unamortized premium on debt	18,435	10,349
	$ 961,069	$ 800,396

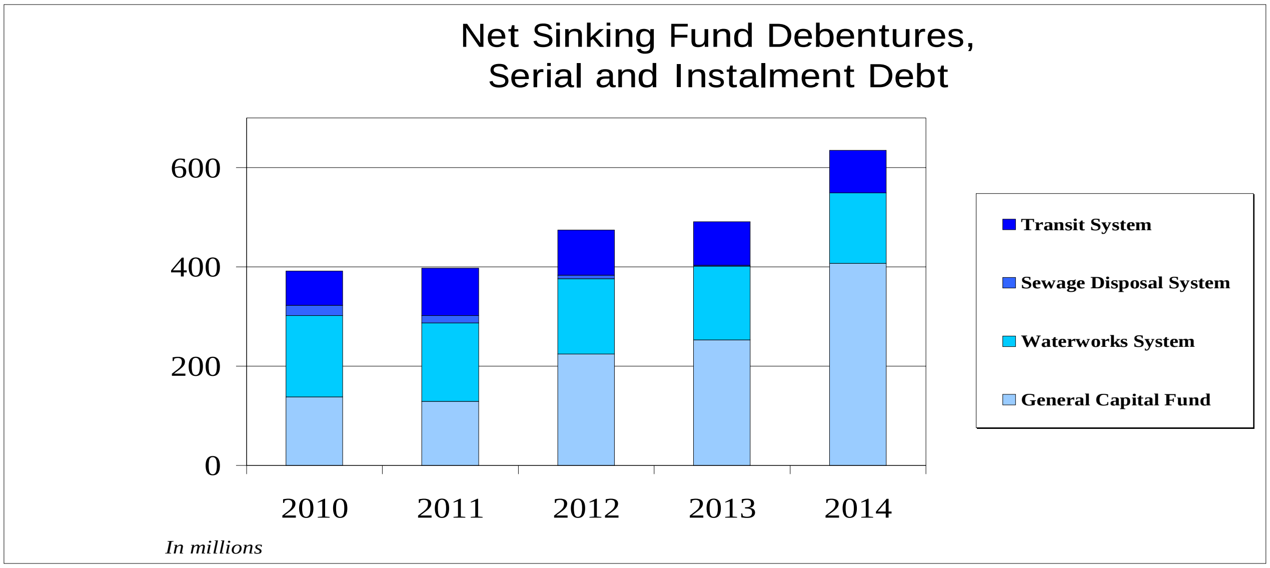
The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under The City of Winnipeg Charter, the City is required to make annual payments towards the retirement of sinking fund debt for which the City maintains two sinking funds. One of the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

These annual sinking fund payments are invested primarily in government and government-guaranteed bonds and debentures. By investing in bonds and debentures of investees that are considered to be high quality, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations. However, The Sinking Fund Trustees of the City of Winnipeg is projecting a sinking fund deficiency of $17 million for the November 2017 debt retirement (series VU) due to the low interest rate environment which has persisted since the global economic crisis of 2008. This November 2017 maturity is the last issue that will be retired based on the securities actively managed by the Trustees.

The Sinking Fund Trustees of the City of Winnipeg also manage debt related to Winnipeg Hydro, which will be fully retired by 2029. As part of the sales agreement with Manitoba Hydro, this sinking fund is required to hold Manitoba Hydro Electric Board bonds issued by Manitoba Hydro. These bonds were issued to enable the City to repay and defease the Winnipeg Hydro debt, having identical terms and conditions as to par value, interest, and date of maturity as the debt has. The bonds are guaranteed by the Province of Manitoba.

During 2014, the City issued three sinking fund debentures. Two of the issues were for $60 million each, both maturing on June 1, 2045, and carrying interest rates of 4.1% and 3.7%. The third issue was for $52.6 million carrying a 3.9% interest rate with a November 15, 2051 maturity date.

The City has also incurred serial and instalment debt having varying maturities up to 2019, and carrying a weighted average interest rate of 4.5% (2013 - 4.5%). Annual interest and principal payments are made on the debt.



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

Debt Service Coverage Ratio	2014	2013	2012	2011	2010
Free Cash and Liquid Assets/ Debt Service	578.3%	427.4%	528.9%	646.6%	577.20%

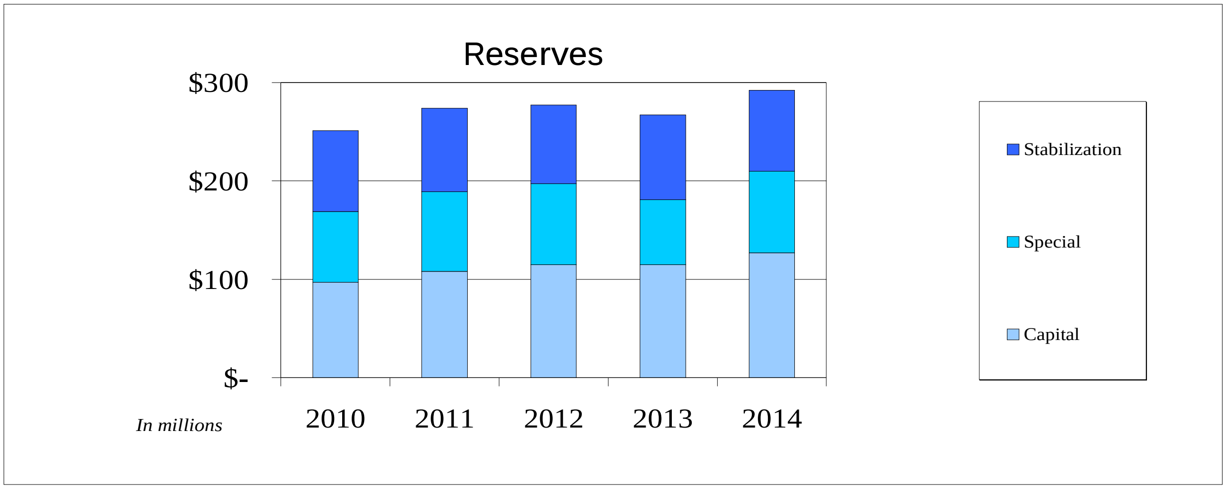
In its recent credit rating report, Standard and Poor's commented that the City maintains exceptional liquidity, which they report is expected to continue.

Reserves

Reserve balances have increased overall by $25.2 million (2013 - $7.4 million decrease) from the prior year. The City's Special Purpose Reserves and Capital Reserves balances increased by $16.7 million and $12.5 million respectively, while the Financial Stabilization Reserve decreased by $4.0 million.

The Financial Stabilization Reserve's accumulated surplus is projected to be $4.2 million (including projected net interest revenue) over its targeted level of 8% of the General Revenue Fund's adopted 2014 budget expenses. The City Council's adopted 2015 budget provides for a transfer of up to $4.2 million into the General Revenue Fund.

In adopting the 2015 budget, City Council also approved a reduction in the targeted level in the Financial Stabilization Reserve to 6% of the General Revenue Fund's adopted budget expenses. As a result of this change in target rate, an additional transfer of $5.0 million to the General Revenue Fund was approved.



During 2013, a new reserve was established to track dedicated revenue for the sole purpose of funding the renewal of local streets, back lanes and sidewalks. The long-term proposal, subject to annual City Council approval, is to fund the Local Street Renewal Reserve Fund with dedicated annual 1% property tax increases over eight or nine years. In the ninth year, the funding from property tax increases would be exchanged with the current frontage levy. The frontage levy in 2014 was $3.75 per frontage foot, which under the long-term reserve funding plan is proposed to increase annually commencing in 2022 by $1.00 per frontage foot for approximately 13 years.

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

Consolidated Revenue and Expense Comparisons

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2014, on a comparative basis. The Statements indicate the City increased its accumulated surplus during the year because annual revenues exceeded expenses. The Statements include a consolidated budget, which provides additional transparency and accountability.

During 2014, the City recorded consolidated revenues of $1.717 billion (2013 - $1.619 billion), which included government transfers and developer contributions-in-kind related to the acquisition of tangible capital assets. Consolidated expenses totaled $1.504 billion (2013 - $1.397 billion). As a result, the City's accumulated surplus increased by $0.213 billion (2013 - $0.222 billion).

Consolidated revenues before government transfers and developer contributions-in-kind totalled $1.442 billion (2013 - $1.369 billion). As a result, the City reported a deficit before these other items of $61.6 million (2013 - $0.3 million). This deficit is a result of full accrual accounting. Items such as environmental liabilities and future-oriented employee benefit liabilities, such as unused vacation and sick leave, are recorded on an accrual basis but are budgeted on a pay as you go basis. Similarly, amortization is recorded over the life of the tangible capital asset; however, the budget is developed to consider the cash flows associated with constructing the asset and servicing any associated debt.

Consolidated Revenues For the years ended December 31 (in thousands of dollars)	Budget 2014		Actual 2014		Actual 2013		Budget to Actual Variance	Actual to Actual Variance
Taxation	$ 633,537	38%	$ 640,801	37%	$ 611,813	38%	$ 7,264	$ 28,988
Sales of services and regulatory fees	537,737	33%	526,330	31%	507,869	31%	(11,407)	18,461
Government transfers - Operating	163,884	10%	169,017	10%	161,337	10%	5,133	7,680
Investment, land sales and other revenues	91,469	6%	106,086	6%	115,435	7%	14,617	(9,349)
Revenue before Other	1,426,627		1,442,234		1,396,454		15,607	45,780
Government transfers - Capital	150,869	9%	209,830	12%	130,921	8%	58,961	78,909
Developer contributions-in-kind	66,000	4%	64,472	4%	91,883	6%	(1,528)	(27,411)
	216,869		274,302		222,804		57,433	51,498
	$1,643,496		$1,716,536		$1,619,258		$ 73,040	$ 97,278

Revenues were $97.3 million higher in 2014 due to several factors. One of the major reasons was increased taxation revenues. Included in taxation revenues are municipal realty taxes, which increased by $24.0 million year-over-year due to assessment roll growth and a 2.95% increase in property tax rates.

Sales of services and regulatory fees rose over the prior year due to an $8.9 million increase reported in water and sewer sales resulting from increased rates. Park revenues from Assiniboine Park Conservancy also contributed.

The decreased sales of services and regulatory fees compared to budget are mostly a result of lower than projected consumption rates for sewer and water.

The decreased investment, land sales and other revenues can be primarily attributed to less land sales concluding than the prior year. The increase over budget is a result of increased donor contributions to Assiniboine Park Conservancy.

Government transfers related to tangible capital assets increased in 2014, mainly because of the completion of the International Polar Bear Conservation Centre ("IPBCC") funded by the Province of Manitoba. Legally, the Province of Manitoba owns this asset and until completion, also assumed the construction risk. Upon IPBCC's completion and opening in 2014, the risks and benefits of ownership were primarily transferred to Assiniboine Park Conservancy and as such, IPBCC represents an asset of the City.

Consolidated Expenses For the years ended December 31 (in thousands of dollars)	Budget 2014		Actual 2014		Actual 2013		Budget to Actual Variance	Actual to Actual Variance
Protection and community services	$ 461,328	31%	$ 466,817	31%	$ 437,970	32%	$ (5,489)	$ 28,847
Utility operations	376,922	25%	378,584	25%	347,652	25%	(1,662)	30,932
Public works	320,049	22%	331,243	22%	312,680	22%	(11,194)	18,563
Property and development	134,102	10%	146,274	10%	131,994	9%	(12,172)	14,280
Finance and administration	80,580	5%	76,553	5%	72,926	5%	4,027	3,627
Civic corporations	73,309	4%	58,185	4%	54,783	4%	15,124	3,402
General government	46,809	3%	46,203	3%	38,795	3%	606	7,408
	$1,493,099		$1,503,859		$1,396,800		$(10,760)	$107,059

Consolidated expenses grew by $107.1 million or 7.7% from the previous year and were $10.8 million over budget. The protection and community services expense category includes the Police Service, Fire Paramedic Service, Community Services and Museums. The Police Service and Fire Paramedic Service departments reported additional salaries and employee benefits over the previous year.

The utility operations' expenses increased over the prior year. One of the reasons for this is the extreme winter weather conditions experienced which caused increased frozen services and watermain repairs. Transit increases in salaries and benefits as well as increased service costs also contributed.

The same weather conditions resulted in higher public works expenses from higher snow clearing and ice control costs compared to budget and the prior year's results.

Property and development expenses increased over the prior year and budget due to a grant for the University of Winnipeg soccer complex, interest expense on debt and City facilities' repairs and maintenance. Increased amortization of tangible capital assets also contributed the variance from prior year.

Consolidated Expenses By Object For the years ended December 31 (in thousands of dollars)	2014		2013		Variance
Salaries and benefits	$ 779,586	52%	$ 730,133	52%	$ 49,453
Goods and services	428,012	28%	376,614	27%	51,398
Amortization	208,074	14%	198,106	14%	9,968
Interest	53,715	4%	54,732	4%	(1,017)
Other expenses	34,472	2%	37,215	3%	(2,743)
	$ 1,503,859		$ 1,396,800		$ 107,059

Increases in salaries and benefits expense resulted primarily from general pay increases to employees and growth in staff.

Goods and services expenses increased over the prior year largely due to increased costs related to snow clearing and ice control, increased frozen services, increased watermain repairs and increased expenses related to the cost of land sold.

Risks and Risk Mitigation

Comprehensive Asset Management

The City faces a very significant infrastructure deficit to address infrastructure needs relating to roads, sidewalks, transit, buildings and parks. Based on analysis performed in 2009, investment of $7.4 billion is required over the next 10 years. To assist in addressing this issue, the City is using the aforementioned dedicated property taxes for local and regional roads (1% each). As well, the City has committed to comprehensive asset management as a key initiative to help address challenges associated with infrastructure maintenance and development and to set the stage to improve performance and organizational sustainability.

Asset management can be defined as an integrated optimization process of managing infrastructure assets to minimize the total cost of owning them, while continuously delivering the service levels customers desire at an acceptable level of risk. In January 2015, City Council approved an Asset Management Policy. This policy will guide the City in incorporating best practices in asset management, in support of delivering services. Asset management will align the elements of governance, process and technology to deliver established levels of service at an acceptable level of risk. It is the process of thinking and carrying out business in a robust and transparent fashion. In fulfilling the policy's requirements, the following documents will be delivered:

- Strategic Asset Management Plan: This document defines the City's commitment and approach to achieving Council's approved policy. This will be approved by the CAO and submitted to Council as information.
- Asset Management Administrative Standard: This document establishes the City's approach to managing the City's physical assets.
- Customer Levels of Service: This document defines the level to which front-line infrastructure supported services will be delivered. These will be approved by Council.
- Asset Management Plans: Corporate and Departmental Asset Management Plans document how assets are managed (with multi-disciplinary management techniques, including technical and financial) through their life cycle in support of the delivery of services.
- State of the Infrastructure Report: This document (which may be part of the Asset Management Plan) will provide information on the state of the City's physical assets for use in external reporting, and in the annual budget and the long range financial planning process. This report will be approved by the CAO for all service areas and submitted to Council as information.

As well, the City has implemented processes that will result in better matching of approved capital budgets to the actual cash flows. Existing capital projects are regularly reviewed throughout the year to determine whether any surplus capital funds are available for other capital project purposes, or to minimize the impact on future capital program budgets.

Capital Project Management

One of the major functions of the City is the delivery on capital investments. This past year alone the City invested $0.5 billion in tangible capital assets, rehabilitating and investing in new assets such as roads, bridges and buildings. Tangible capital assets serve as key components to service delivery. While there have been recent examples of excellent project management in the delivery of major projects such as Phase 1 of the Southwest Transit Corridor, the Chief Peguis Trail Extension and the Disraeli Bridges, there have been challenges on others, for example the Fire Paramedic Stations Construction Project and the Winnipeg Police Headquarters Project.

The City understands the value derived from strong project management and has been working diligently to mitigate against capital project delivery problems associated with time, budget and scope by doing the following:

- The Public Service has been vigilant in the establishment of Major Capital Project Steering Committees to ensure project risks are being appropriately identified and addressed. As well, regular reporting to the Standing Policy Committee on Finance enhances public transparency.
- The City is transitioning to a system where all capital budget submissions for projects greater than $100,000 require a supporting business case that can be challenged on the basis of need (level of service and risk), assumptions and recommended solutions.
- During the course of the year, City Council requested the external review of the Winnipeg Police Headquarters project. The review provided a series of recommendations approved by City Council. The Public Service has developed an implementation plan which includes periodic reporting to City Council, and has made significant progress in addressing the recommendations.
- A comprehensive Project Management manual was implemented in 2014. The manual details best practice processes and procedures and defines how projects are to be delivered.

Financial Management Plan

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

Debt Strategy

To help manage debt responsibly and transparently, on June 22, 2011, City Council approved a debt strategy for the City. The following table provides the City Council-approved limits, the debt metrics as at December 31, 2014, and the forecasted peak based on the City Council-approved borrowing and 2015 Capital Budget and Five-Year Forecast.

Debt Metrics	Maximum	As At December 31, 2014	Forecasted Peak
Debt as a % of revenue			
City	85.0%	51.9%	77.3%
Tax-supported and other funds	60.0%	53.9%	58.5%
Self-supporting utilities	220.0%	47.9%	137.8%
Debt-servicing as a % of revenue			
City	11.0%	5.8%	6.6%
Tax-supported and other funds	10.0%	5.8%	5.8%
Self-supporting utilities	20.0%	5.9%	11.8%
Debt per capita			
City	$2,400	$1,313	$2,006
Tax-supported and other funds	$1,050	$886	$932
Self-supporting utilities	$1,300	$210	$1,046

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

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

The city has 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, 2014 is $23.2 million (2013 - $7.4 million). The increase in guarantees during the year is related to arena projects at two community centres. Some of the capital projects related to the guarantees are in progress at year-end, meaning that the full line of credit has not been used. The at risk amount is $43.3 million. The City does not anticipate incurring future payments on these guarantees.

Employee Benefit Programs

The City provides pension, group life insurance, sick leave and severance pay benefit plans for qualified employees. The cost of these employee benefits is actuarially determined each year. These calculations use management's best estimate of a number of assumptions including the long-term rate of investment return on plan assets, inflation, salary escalation and the discount rate used to value liabilities. As well, it includes 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.

Pension Plans

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

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

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

The future service cost of the Winnipeg Civic Employees' Benefits Program in 2014 was 20.7% of pensionable earnings.

The Winnipeg Police Pension Plan (the "Plan") is a defined benefit plan to which the members contribute 8% of pensionable earnings, with the City being responsible for any unfunded liabilities. As at December 31, 2014, the market value of this pension fund's assets was $1,231.9 million (2013 - $1,120.2 million), which is $99.8 million more (2013 - $72.5 million more) than the accrued pension obligation.

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

The date of the next actuarial valuation of the Plan required to be prepared and filed with the Manitoba Office of the Superintendent - Pension Commission is December 31, 2016. 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. As of the last valuation date, December 31, 2013, the plan had a solvency deficiency under this wind-up scenario. This deficiency had to be addressed over the five years following the valuation date by the City, either through an increase in contributions starting in 2014, or by obtaining a letter of credit with face value equal to the value of additional contributions cumulatively required. City Council has previously approved the letter of credit option and has obtained a letter of credit for $29.0 million with respect to the December 2013 valuation.

Group Life Insurance Plans

The City's group life insurance plan ("GLIP") was established in 1975 and is comprised of two separate plans: the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan. The GLIP historically treated its income as non-taxable since the net assets were considered to be an extension of the City's government. However, as a result of enquiries from one of the GLIP's investment managers seeking confirmation of this, the City engaged a tax professional to review the tax status of the GLIP. The review determined the GLIP may not be tax exempt. The City then voluntarily approached the Canada Revenue Agency ("CRA") to discuss the issue. CRA informed the City that, in its view, the assets held in the two plans constitute trust funds and, therefore, the income should be considered taxable. CRA agreed to grandfather the tax-exempt status assumed by the present GLIP and, acknowledging that the City was actively working to address this issue, recently granted an extension until the end of December 2015.

The City has been working with its tax and actuarial advisors to restructure the GLIP. As a result, a proposal to maintain the tax-exempt status for the GLIP was developed and approved by Council in September 2014. The proposal derived to maintain the tax-exempt status establishes a City controlled municipal corporation and creates a new by-law to operate and provide oversight to the GLIP. Approval from the Province of Manitoba to create the municipal corporation is required under S. 212 of the City of Winnipeg Charter.   As well, the City has sought CRA's approval of this plan. The Board of Trustees of the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Board have each given notice that they will be resigning from all aspects of responsibility for the GLIP effective June 30, 2015, unless otherwise agreed.

Environmental Matters

The City's water distribution and treatment system is governed by a license issued under The Drinking Water Safety Act and the sewage treatment plants are governed by licenses issued under The Environment Act.

The 2005 to 2014 capital budgets for the utilities and their 2015 to 2019 capital forecasts anticipate $917.8 million of future debt to fund projects mandated by the Province. During 2003, at the request of the Minister of Conservation, the Clean Environment Commission ("CEC") conducted public hearings to receive and review comments on the City's wastewater collection and treatment improvement program. The CEC made several recommendations to upgrade and improve the wastewater collection and treatment systems, which were subsequently supported by the Minister of Conservation. In response, Manitoba Conservation issued Environment Act Licences to the City for the North End, West End, and South End Sewage Treatment Plants. In 2011 "The Save Lake Winnipeg Act" (Bill 46) was passed, which further enforces limits and imposes treatment options for the North End Sewage Treatment Plant. In 2013, an additional licence was issued under the Environment Act, which governs combined sewers and overflow structures. With this direction, a wastewater upgrade program is underway, which will address nutrient control, combined sewer overflow mitigation and biosolids management. Based on preliminary assessments, the upgrade program is estimated to cost between $1.2 to $1.8 billion, depending on market factors and interpretation of the compliance requirements.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve (which had a balance of $73.0 million at December 31, 2014), the Canada Strategic Infrastructure Fund, the Green Infrastructure Fund and accumulated surplus.

The City of Winnipeg operates one landfill, the Brady Road Landfill Site, and maintains and monitors several former landfill sites. The City estimates costs associated with future landfill closure and post-closure care requirements in the determination of its environmental liability. In estimating future landfill closure costs, management has estimated the total cost to cover, landscape and maintain the site based upon remaining life and capacity. The liability is measured on a discounted basis using the City's average, risk adjusted, long-term, borrowing rate.

Labour Negotiations

For the year ended December 31, 2014, 52% (2013 - 52%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,206, the majority being represented by the eight unions and associations noted as follows:

Union/Association	Average Annual Headcount	Agreement Expiry Date
ATU	1,381	January 17, 2015
CUPE	4,598	December 27, 2014
MGEU	351	February 13, 2014
UFFW	923	December 24, 2016
WAPSO	663	October 17, 2015
WFPSOA	45	August 23, 2014
WPA	1,972	December 23, 2016
WPSOA	32	December 24, 2016
Other (non-union/association)	241	Not applicable

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

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

Corporate Risk Management Division

The City has a separate Risk Management Division reporting to the Chief Financial Officer. This division provides services designed to control and minimize the adverse financial effects of accidental or unforeseen events. Working with City departments and SOA's, this division strengthens the City's long-term financial performance through the development and provision of a solid framework of risk management and loss control techniques based on an informed balance of risk and cost. Identifying, understanding, and evaluating the City's risks allows the City to measure and prioritize them, and respond with appropriate actions to manage the risk through loss prevention and reduction strategies, insurance programs and contractual transfer.

Financial Accountability

Audit Department

In 2014, a significant portion of the Department's time was dedicated to overseeing four highly sensitive major reviews conducted by external firms simultaneously.

- The Real Estate Management Review started in 2013 was completed in July 2014.
- A legal opinion provided by an out-of-province law firm on the Fire Paramedic Stations Construction Project Report. This opinion was presented to Council in May 2014.
- An external firm was contracted to conduct an audit of the Winnipeg Police Headquarters Construction Project, which was presented to Council in July 2014.
- The Audit Department contracted with a firm to conduct a Quantity Survey of the Winnipeg Police Headquarters Project, which was also presented to Council in July 2014.

In May 2014, the Department released the Workplace Safety Audit. The 311 Contact Centre Audit and the Waverly West Arterial Roads Project were underway in 2014 and released in 2015. A review of the Community By-Law Enforcement Services Division was also in progress at the end of 2014.

Budget Process

Executive Policy Committee ("EPC"), which is a committee of City Council, is responsible for budget development. The budget is presented to City Council for consideration and adoption. Each year, both an operating and a capital budget are approved by City Council. Both budgets contain multi-year views. The capital budget includes six years of budget information, including the current-year adopted budget and five forecast years. The operating budget contains three years of budget information, including the current-year adopted budget and two projection years. The 2015 budget document includes a 2014 consolidated budget section that is prepared on the same basis as the consolidated financial statements.

Looking Forward

2015 Operating and Capital Budgets

On March 23, 2015, City Council adopted both budgets for The City of Winnipeg – the 2015 capital and operating budgets. In addition, the 2016-2020 capital forecast was approved in principle and the 2016 and 2017 operating projections were received as the preliminary financial plan for those years.

The 2015 capital budget and the 2016 to 2020 five-year forecast includes $2.9 billion in City capital projects with $560.5 million authorized in 2015. Some of the projects included in the 2015 capital budget are $103.3 million for regional and local streets renewal, funding for a transportation management centre, and a downtown dog park. The six-year capital investment plan includes $96.8 million for community and municipal facilities including pools, arenas, and recreation amenities; $95.2 million for community services, including libraries; $32.2 million for land drainage and flood control; $27.9 million for active transportation facilities; and $26.6 million for the solid waste disposal system. Section 284(2) of The City of Winnipeg Charter requires that before December 31 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 2015 operating budget continues with 1.0% tax increases for each of the Local Street Renewal and Regional Street Renewal Reserves. As well, a 0.3% property tax increase was approved for operations. The 2015 budget plan decreases business tax rates from 5.7% to 5.6% and provides for the continuation of the small business tax credit program. The program provides a full municipal business tax rebate to business with a rental value of $30 thousand or less (2014 - $24 thousand) impacting 48.6% of Winnipeg businesses. The budget remains focused on the continuing priorities of public safety and city streets. Section 284(1) of The City of Winnipeg Charter requires City Council to approve the budget before March 31 of each fiscal year.

All municipalities are facing budget pressures in delivering quality public services. Winnipeg, in keeping taxes affordable, has included one-time revenues and deferral of spending and maintenance costs in City budgets. This is not a sustainable model and it is the goal of the City to have new long-term growth revenue sources in the future to address the growing structural operating deficit.

General Revenue Fund - Budget For the years ended December 31 (in thousands of dollars)	2015	2014	2013	2012	2011
Revenues					
Property tax	$ 529,168	$ 510,569	$ 482,885	$ 459,564	$ 435,934
Government transfers	118,290	113,763	113,050	113,265	106,106
Sale of goods and services	59,008	64,486	67,788	62,761	58,146
Business tax	58,366	59,688	58,371	57,584	57,584
Street renewal frontage levy	49,129	41,731	41,400	41,300	41,000
Transfer from other funds	45,779	56,787	46,586	52,309	38,203
Regulation fees	45,329	43,227	40,852	37,634	36,540
Other taxation	24,290	25,390	21,963	28,772	30,726
Interest	13,387	11,228	11,432	11,394	9,245
Other	51,351	42,315	38,345	35,377	33,840
	994,097	969,184	922,672	899,960	847,324
Expenses					
Police service	263,978	259,113	242,548	220,184	202,173
Public works	204,447	187,638	181,976	169,043	170,157
Fire paramedic service	178,321	167,801	167,888	154,750	143,013
Community services	118,569	122,838	111,691	112,793	100,479
Corporate	46,866	60,284	48,825	59,166	63,891
Planning, property and development	48,513	40,554	42,064	41,221	38,353
Water and waste	30,923	31,110	33,703	44,052	34,695
Corporate support services	34,092	33,038	31,147	31,312	30,899
Assessment and taxation	20,520	19,623	18,209	25,572	23,841
Street lighting	12,522	11,970	11,618	11,100	10,685
City clerk's	12,948	13,465	10,930	10,897	10,316
Corporate finance	9,130	9,310	9,412	8,547	8,074
Other departments	13,268	12,440	12,661	11,323	10,748
	994,097	969,184	922,672	899,960	847,324
	$ -	$ -	$ -	$ -	$ -

Prior year figures have not been reclassified to conform with the 2015 figures.

Accounting Pronouncements

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

- In March 2010, PSAB approved Section PS 3260, Liability for Contaminated Sites, for fiscal years on or after April 1, 2014. The objective of this accounting standard addresses when these obligations meet the definition of a liability, recognition and measurement criteria and any unique disclosure requirements.
- In June 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, 2016.

- In March 2015, PSAB issued two new standards: Section 2200 Related Party Disclosures and Section 3240 Inter-entity Transactions. The standards address recognition, measurement, and disclosure of related party transactions. The new standards are effective for fiscal years beginning on or after April 17, 2017.

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, 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 public sector accounting standards.

Michael Ruta, FCA
Chief Financial Officer
June 10, 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The City of Winnipeg ("the City"), which comprise the consolidated statement of financial position as at December 31, 2014 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.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

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, 2014, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

June 10, 2015

Winnipeg, Canada

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2014	2013
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	**$ 335,726**	$ 329,661
Accounts receivable (Note 4)	**299,753**	260,602
Land held for resale	**16,219**	14,689
Investments (Note 5)	**338,051**	306,816
Investment in government businesses (Note 6)	**34,447**	35,812
	1,024,196	947,580
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**262,927**	263,681
Deferred revenue (Note 8)	**52,115**	61,101
Debt (Note 9)	**961,069**	800,396
Other liabilities (Note 10)	**73,190**	57,148
Accrued employee benefits and other (Note 11)	**184,791**	176,317
	1,534,092	1,358,643
NET FINANCIAL LIABILITIES	**(509,896)**	(411,063)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	**5,844,504**	5,537,163
Inventories	**18,706**	16,365
Prepaid expenses and deferred charges	**7,026**	5,198
	5,870,236	5,558,726
ACCUMULATED SURPLUS (Note 14)	**$ 5,360,340**	$ 5,147,663

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 2014 (Note 20)	Actual 2014	Actual 2013
REVENUES			
Taxation (Note 16)	**$ 633,537**	**$ 640,801**	$ 611,813
Sales of services and regulatory fees (Note 17)	**537,737**	**526,330**	507,869
Government transfers (Note 18)	**163,884**	**169,017**	161,337
Land sales and other revenue (Note 6)	**56,602**	**70,393**	77,521
Investment income	**34,867**	**35,693**	37,914
Total Revenues	**1,426,627**	**1,442,234**	1,396,454
EXPENSES			
Protection and community services	**461,328**	**466,817**	437,970
Utility operations	**376,922**	**378,584**	347,652
Public works	**320,049**	**331,243**	312,680
Property and development	**134,102**	**146,274**	131,994
Finance and administration	**80,580**	**76,553**	72,926
Civic corporations	**73,309**	**58,185**	54,783
General government	**46,809**	**46,203**	38,795
Total Expenses (Note 19)	**1,493,099**	**1,503,859**	1,396,800
Annual Deficit Before Other	**(66,472)**	**(61,625)**	(346)
OTHER			
Government transfers related to capital (Note 18)	**150,869**	**209,830**	130,921
Developer contributions-in-kind related to capital (Note 13)	**66,000**	**64,472**	91,883
	216,869	**274,302**	222,804
Annual Surplus	**$ 150,397**	**212,677**	222,458
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**5,147,663**	4,925,205
ACCUMULATED SURPLUS, END OF YEAR		**$ 5,360,340**	$ 5,147,663

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)

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	**$ 212,677**	$ 222,458
Non-cash charges to operations		
Amortization	**208,074**	198,106
Developer contributions-in-kind related to capital	**(64,472)**	(91,883)
Other	**27,384**	9,251
	383,663	337,932
Net change in non-cash working capital balances related to operations	**(54,590)**	36,488
Cash provided by operating activities	**329,073**	374,420
CAPITAL		
Acquisition of tangible capital assets	**(453,942)**	(452,055)
Proceeds on disposal of tangible capital assets	**1,496**	11,821
Cash used in capital activities	**(452,446)**	(440,234)
FINANCING		
Decrease in sinking fund investments	**69,607**	68,800
Debenture and serial debt retired	**(95,381)**	(112,450)
Sinking fund and serial debenture issued	**180,473**	60,000
Service concession arrangements retired	**(1,530)**	(1,415)
Other	**7,504**	(7,700)
Cash provided by financing activities	**160,673**	7,235
INVESTING		
Increase of investments	**(31,235)**	(3,801)
Cash used in investing activities	**(31,235)**	(3,801)
Increase (decrease) in cash and cash equivalents	**6,065**	(62,380)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**329,661**	392,041
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 335,726**	$ 329,661

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 2014 (Note 20)	Actual 2014	Actual 2013
ANNUAL SURPLUS	**$ 150,397**	**$ 212,677**	$ 222,458
Amortization of tangible capital assets	**209,278**	**208,074**	198,106
Loss on sale of tangible capital assets	**634**	**1,503**	473
Proceeds on disposal of tangible capital assets	**8,100**	**1,496**	11,821
Change in inventories, prepaid expenses and deferred charges	**(785)**	**(4,169)**	12,925
Tangible capital assets received as contributions	**(66,000)**	**(64,472)**	(91,883)
Acquisition of tangible capital assets	**(603,625)**	**(453,942)**	(452,055)
INCREASE IN NET FINANCIAL LIABILITIES	**(302,001)**	**(98,833)**	(98,155)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(411,063)**	**(411,063)**	(312,908)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (713,064)**	**$ (509,896)**	$ (411,063)

See accompanying notes and schedules to the consolidated financial statements

1. Status of The City of Winnipeg

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

2. Significant Accounting Policies

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

a) Basis of consolidation

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

i) Consolidated entities

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

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

ii) Government partnerships

Economic Development Winnipeg Inc. is reported as a government partnership with the proprotionate consolidation method being used. Accordingly, fifty percent of the assets, liabilities, revenues and expenses have been included.

iii) 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).

2. *Significant Accounting Policies (continued)*

iv) 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.

v) Group life insurance funds

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

b) Basis of accounting

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

c) Cash equivalents

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

d) Land held for resale

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

e) Investments

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

f) Unamortized premium on debt

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

g) Solid waste landfills

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

2. *Significant Accounting Policies (continued)*

h) Environmental provisions

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

i) Deferred revenue

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

j) Employee benefit plans

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

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

k) Non-financial assets

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

i) Tangible capital assets

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

Buildings	10 to 50 years
Vehicles	
Transit buses	18 years
Other vehicles	5 to 10 years
Computer hardware and software	5 to 10 years

2. Significant Accounting Policies (continued)

Other	
Machinery and equipment	3 to 40 years
Land improvements	10 to 100 years
Water and waste plants and facilities	
Underground networks	50 to 100 years
Sewage treatment plants and lift stations	50 to 75 years
Water pumping stations and reservoirs	50 to 75 years
Flood stations and other infrastructure	50 to 75 years
Transportation	
Roads	10 to 50 years
Bridges and other structures	25 to 75 years

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

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

a) Contributions of tangible capital assets

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

b) Leases

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

c) Service concession arrangements

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

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

ii) Inventories

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

l) Tax revenues

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

2. Significant Accounting Policies (continued)

The City is required by The Public Schools Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, no tax revenue is recognized in these consolidated financial statements for amounts collected on behalf of school divisions, nor are the revenues, expenses, assets and liabilities with respect to the operations of the school boards.

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

m) Government transfers

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

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

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

n) Estimates

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

o) Budget

The 2014 budget is included on the consolidated statements of operations and accumulated surplus and change in net financial liabilities. The budget is compiled from the City Council-approved Operating Budget, estimates for controlled entities, adjustments to report the budget on a full accrual basis including capital revenue adjustments, assets capitalized on the statement of financial position, amortization of tangible capital assets and accruals for unfunded liabilities and administrative adjustments to provide for proper comparison to actual results presented herein.

3. *Cash and Cash Equivalents*

		2014		2013
Cash	**$**	**6,423**	$	19,334
Cash equivalents		**329,303**		310,327
	$	**335,726**	$	329,661

The average effective interest rate for cash equivalents at December 31, 2014 is 1.3% (2013 - 1.3%).

Cash and cash equivalents exclude $48.5 million (2013 - $315.5 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 $35.8 million (2013 - $37.8 million).

4. *Accounts Receivable*

		2014		2013
Property, payments-in-lieu and business taxes receivable	**$**	**54,825**	$	49,592
Allowance for property, payments-in-lieu and business taxes receivable		**(6,183)**		(3,694)
		48,642		45,898
Trade accounts and other receivables		**148,857**		148,427
Province of Manitoba		**89,774**		60,623
Government of Canada		**24,574**		15,933
Allowance for doubtful accounts		**(12,094)**		(10,279)
		251,111		214,704
	$	**299,753**	$	260,602

5. *Investments*

		2014		2013
Marketable securities				
Provincial bonds and bond coupons	**$**	**8,095**	$	5,750
Municipal bonds		**90,863**		68,482
		98,958		74,232
Manitoba Hydro long-term receivable		**220,238**		220,238
Other		**18,855**		12,346
	$	**338,051**	$	306,816

a) Marketable securities

The aggregate market value of marketable securities at December 31, 2014 is $104.4 million (2013 - $73.9 million) and their maturity dates range from 2015 to 2043.

b) Manitoba Hydro long-term receivable

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

5. Investments (continued)

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

6. Investment in Government Businesses

a) North Portage Development Corporation

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

The condensed supplementary financial information of NPDC is as follows:

	2014	2013
Financial position		
Property, plant and equipment and investment in properties and infrastructure enhancements	**$ 69,755**	$ 71,248
Short-term investments	**15,487**	14,878
Other assets	**1,344**	2,037
	$ 86,586	$ 88,163
Deferred contributions from shareholders	**$ 14,802**	$ 15,961
Long-term mortgage payable	**10,991**	11,355
Current and other liabilities	**3,686**	4,305
	29,479	31,621
Net equity	**57,107**	56,542
	$ 86,586	$ 88,163

	2014	2013
Comprehensive income		
Revenues	**$ 10,560**	$ 10,826
Expenses	**8,957**	9,282
Operating income before the following	**1,603**	1,544
Interest expense	**(655)**	(691)
Amortization	**(2,199)**	(2,532)
Other	**1,815**	2,616
Discontinued operations	**-**	(1,398)
Net income (loss) for the year	**$ 564**	$ (461)

b) River Park South Developments Inc.

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

6. *Investment in Government Businesses (continued)*

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

	2014	2013
Financial position		
Assets	**$ 30,327**	$ 33,797
Liabilities and equity	**$ 30,327**	$ 33,797

	2014	2013
Comprehensive income		
Land sales	**$ 9,903**	$ 18,244
Cost of sales	**4,251**	8,836
Operating income before the following	**5,652**	9,408
Interest and other income	**182**	234
Other expenses and adjustments	**(1,033)**	(1,438)
Net income for the year	**$ 4,801**	$ 8,204

c) Winnipeg Housing Rehabilitation Corporation

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

The condensed supplementary financial information of WHRC is as follows:

	2014	2013
Financial position		
Capital assets	**$ 23,898**	$ 25,457
Current and other assets	**7,411**	7,258
	$ 31,309	$ 32,715
Long-term debt	**$ 21,596**	$ 23,150
Current and other liabilities	**4,323**	4,304
	25,919	27,454
Replacement Reserves	**4,313**	4,377
WHRC Building and Acquisition Reserve	**1,063**	1,046
Unrestricted net assets (deficit)	**14**	(162)
	5,390	5,261
	$ 31,309	$ 32,715

6. *Investment in Government Businesses (continued)*

	2014	2013
Results of operations		
Revenues	**$ 10,780**	$ 9,600
Expenses	**10,604**	9,568
Excess of revenues over expenses for the year	**176**	32
Change to Replacement Reserves during the year	**(64)**	366
Change to WHRC Building and Acquisition Reserve during the year	**17**	20
Net income for the year	**$ 129**	$ 418

During the year, the City paid WHRC an operating grant of $180 thousand (2013 - $195 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2013 - $2.0 million). As at March 31, 2014, WHRC has utilized $55 thousand of this line of credit (2013 - $167 thousand).

Summary of investment in government businesses

	2014	2013
North Portage Development Corporation (1/3 share)	**$ 19,036**	$ 18,847
River Park South Developments Inc. (1/2 share)	**10,021**	11,704
Winnipeg Housing Rehabilitation Corporation	**5,390**	5,261
	$ 34,447	$ 35,812

Summary of results of operations

	2014	2013
North Portage Development Corporation (1/3 share)	**$ 188**	$ (154)
River Park South Developments Inc. (1/2 share)	**2,400**	4,102
Winnipeg Housing Rehabilitation Corporation	**129**	418
	$ 2,717	$ 4,366

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*

	2014	2013
Accrued liabilities	**$ 135,774**	$ 137,466
Trade accounts payable	**118,971**	116,459
Accrued interest payable	**8,182**	9,756
	$ 262,927	$ 263,681

8. *Deferred Revenue*

	2014	2013
Federal gas tax transfer	**$ 22,440**	$ 22,900
Province of Manitoba	**13,405**	21,997
Other	**16,270**	16,204
	$ 52,115	$ 61,101

9. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	**2014**	2013
1994-2014	Jan. 20	8.000	VQ	6300/94	**$ -**	$ 85,000
1995-2015	May 12	9.125	VR	6620/95	**88,000**	88,000
1997-2017	Nov. 17	6.250	VU	7000/97	**30,000**	30,000
2006-2036	July 17	5.200	VZ	183/04, and 72/06	**60,000**	60,000
2008-2036	July 17	5.200	VZ	72/06B and 32/07	**100,000**	100,000
2010-2041	June 3	5.150	WB	183/08	**60,000**	60,000
2011-2051	Nov. 15	4.300	WC	72/06, 183/08 and 150/09	**50,000**	50,000
2012-2051	Nov. 15	3.853	WC	93/11	**50,000**	50,000
2012-2051	Nov. 15	3.759	WC	120/09, 93/11 and 138/11	**75,000**	75,000
2013-2051	Nov. 15	4.391	WC	93/11 and 84/13	**60,000**	60,000
2014-2045	June 1	4.100	WD	144/11, 23/13 and 149/13	**60,000**	-
2014-2045	June 1	3.713	WD	144/11, 23/13 and 149/13	**60,000**	-
2014-2051	Nov. 15	3.893	WC	93/11 and 145/2013	**52,568**	-
					745,568	658,000
Equity in The Sinking Funds (Notes 9a and b)					**(125,630)**	(195,237)
Net sinking fund debentures outstanding					**619,938**	462,763

Other debt outstanding

	2014	2013
Serial and instalment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.50% (2013 - 4.52%)	**24,240**	34,621
Bank loans, Province and other with varying maturities up to 2026 and a weighted average interest rate of 2.90% (2013 - 3.04%)	**117,168**	109,263
Capital lease obligations (Note 9c)	**25,474**	26,056
Service concession arrangement obligations (Notes 9d and 15d)	**155,814**	157,344
	942,634	790,047
Unamortized premium on debt (Note 9e)	**18,435**	10,349
	$ 961,069	$ 800,396

9. *Debt (continued)*

Debt segregated by fund/organization:

General Capital Fund	**$ 625,415**	$ 466,150
Waterworks System	**139,569**	145,696
Transit System	**88,389**	90,907
Special operating agencies and other	**97,457**	84,394
Solid Waste Disposal	**10,239**	11,651
Sewage Disposal System	**-**	1,598
	$ 961,069	$ 800,396

Debt to be retired over the next five years:

	2015	2016	2017	2018	2019	2020+
Sinking fund debentures	$ 88,000	$ -	$ 30,000	$ -	$ -	$ 627,568
Other debt	38,643	37,601	19,592	18,637	17,444	190,779
	$ 126,643	$ 37,601	$ 49,592	$ 18,637	$ 17,444	$ 818,347

a) As at December 31, 2014, sinking fund assets have a market value of $152.1 million (2013 - $208.1 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 $40.0 million (2013 - $28.3 million) and a market value of $42.3 million (2013 - $28.7 million).

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

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

	Capital Leases
2015	$ 2,476
2016	2,476
2017	2,502
2018	2,553
2019	2,563
Thereafter	32,463
Total future minimum lease payments	45,033
Amount representing interest at a weighted average rate of 8.18%	(19,559)
Capital lease obligations	$ 25,474

9. *Debt (continued)*

d) Service concession arrangement obligations are as follows:

		2014		2013
DBF2 Limited Partnership - Chief Peguis Trail Extension	**$**	**48,625**	$	49,120
Plenary Roads Winnipeg GP - Disraeli Bridges		**107,189**		108,224
	$	**155,814**	$	157,344

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 $107.8 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 $6.2 million. As at December 31, 2014, $105.3 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 $107.8 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 a monthly performance-based maintenance payment to DBF2 as disclosed in Note 15d.

Disraeli Bridges

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

The $195.0 million project will have been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and cash consideration paid by the City of $10.6 million. As at December 31, 2014, $188.9 million was capitalized for commissioned works (Note 13). 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 a monthly performance-based maintenance payment to PRW as disclosed in Note 15d.

9. *Debt (continued)*

e) Included in the Consolidated Statement of Financial Position are investments of $21.2 million (2013 - $12.5 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 2014 is $53.7 million (2013 - $54.7 million) and cash paid for interest during the year is $55.3 million (2013 - $58.2 million).

10. *Other Liabilities*

	2014	2013
Environmental liabilities	**$ 36,176**	$ 27,127
Expropriation	**25,800**	19,500
Developer deposits and other	**11,214**	10,521
	$ 73,190	$ 57,148

Included in environmental liabilities is $30.5 million (2013 - $25.1 million) for the estimated total landfill closure and post-closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's average, risk adjusted, long-term, borrowing rate of 5.0% (2013 - 6.0%).

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

The estimated capacity of the City's one remaining landfill, the Brady Road Landfill Site, is 94% of its total capacity and its remaining life is approximately 94 years, after which perpetual post-closure maintenance is required.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Road Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2014, the reserve had a balance of $5.3 million (2013 - $5.0 million).

11. *Accrued Employee Benefits and Other*

	2014	2013
Retirement allowance - accrued obligation	**$ 95,978**	$ 94,702
Unamortized net actuarial loss	**(5,142)**	(5,406)
Retirement allowance - accrued liability	**90,836**	89,296
Vacation	**50,924**	48,159
Workers' compensation	**26,869**	22,969
Compensated absences	**10,329**	9,410
Other	**5,833**	6,483
	$ 184,791	$ 176,317

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

Under the retirement allowance programs, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). In addition, adjustments arising from plan amendments, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.5 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year the actuarial gains or losses occur.

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, 2014. The results of this valuation were extrapolated to the financial reporting date of December 31, 2014 using year-end assumptions.

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

	2014	2013
Retirement allowance - accrued liability		
Balance, beginning of year	**$ 89,296**	$ 86,259
Current service cost	**5,284**	5,309
Interest cost	**3,527**	3,465
Amortization of net actuarial loss	**1,116**	1,513
Benefit payments	**(8,387)**	(7,250)
Balance, end of year	**$ 90,836**	$ 89,296

Retirement allowance expense consists of the following:

	2014	2013
Current service cost	**$ 5,284**	$ 5,309
Interest cost	**3,527**	3,465
Amortization of net actuarial loss	**1,116**	1,513
	$ 9,927	$ 10,287

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

	2014	2013
Discount rate on liability	**2.90%**	3.70%
General increases in pay	**2.50 - 3.00%**	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 (the "Benefits Program") is a multi-employer benefit program governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. Accordingly, the Benefits Program is accounted for similar to a defined contribution benefits program. The Benefits Program provides pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers.

Members' contribution rates increased to 9.5% of their Canada Pension Plan earnings and 11.8% of pensionable earnings in excess of Canada Pension Plan earnings in 2014 and for future years. During 2013, members contributed 9.0% of their Canada Pension Plan earnings and 11.2% of

12. Pension Costs and Obligations (continued)

pensionable earnings in excess of Canada Pension Plan earnings. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Benefits Program was prepared as at December 31, 2013, which indicated an excess of actuarial value of program assets over actuarial liabilities of $116.4 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, 2014 was $41.6 million (2013 - $54.0 million).

Total contributions by the City to the Benefits Program in 2014 were $28.9 million (2013 - $26.1 million) which were expensed as incurred.

b) Winnipeg Police Pension Plan

The Winnipeg Police Pension Plan (the "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. Within the Plan, 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. Thereafter, actuarial surpluses 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, 2013. The valuation revealed a funding surplus, which, in accordance with the terms of the Plan, was resolved through an increase in the contribution stabilization reserve and by increasing the rate of cost-of-living adjustments to pensions from 47.0% to 47.8% of the inflation rate.

An actuarial valuation of the Plan as of December 31, 2014 is to be prepared but it is not required to be filed with the Office of the Superintendent - Pension Commission. 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. As of the date of the last valuation of the Plan, the actuarial valuation showed that the Plan has a solvency deficiency at December 31, 2013 under this wind-up scenario, which would need to be addressed by the City over a period not to exceed five years either by an increase in contributions starting in 2014, or by obtaining a yearly renewable letter of credit with face value equal to the value of additional contributions cumulatively otherwise required. City Council has previously secured the letter of credit option and has obtained a letter of credit with respect to December 2013 valuation.

The results of the December 31, 2013 actuarial valuation of the Plan were extrapolated to December 31, 2014. 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 5.75% per year (2013 - 6.00%); inflation rate of 2.00% per year (2013 - 2.00%); and general pay increases of 3.50% per year (2013 - 3.25%). 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:

12. Pension Costs and Obligations (continued)

	2014	2013
Plan assets:		
Fair value, beginning of year	**$ 1,120,262**	$ 953,291
Employer contributions	**23,141**	20,954
Employee contributions and transfers	**12,778**	11,880
Benefits and expenses paid	**(44,237)**	(43,122)
Net investment income	**119,924**	177,259
Fair value, end of year	**1,231,868**	1,120,262
Actuarial adjustment	**(99,758)**	(72,467)
Actuarial value, end of year	**$ 1,132,110**	$ 1,047,795
Accrued pension obligation:		
Beginning of year	**$ 1,047,795**	$ 980,412
Interest on accrued pension obligation	**62,638**	58,534
Current period benefit cost	**36,586**	33,429
Actuarial loss	**29,328**	18,542
Benefits and expenses paid	**(44,237)**	(43,122)
End of year	**$ 1,132,110**	$ 1,047,795
Expenses related to pensions:		
Current period benefit cost	**$ 36,586**	$ 33,429
Amortization of actuarial gains	**(687)**	(613)
Less: employee contributions and transfers	**(12,778)**	(11,880)
Pension benefit expense	**23,121**	20,936
Interest on accrued benefit obligation	**62,638**	58,534
Expected return on plan assets	**(62,618)**	(58,516)
Pension interest expense	**20**	18
Total expenses related to pensions	**$ 23,141**	$ 20,954

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 2014 were $23.1 million (2013 - $21.0 million). Total employee contributions to the Plan in 2014 were $12.8 million (2013 - $11.9 million). Benefits paid from the Plan in 2014 were $43.4 million (2013 - $42.2 million).

The expected rate of return on Plan assets in 2014 was 6.00% (2013 - 6.00%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2014 was 10.74% (2013 - 18.70%).

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. As noted above, the Plan provides that within certain prescribed constraints, in the event of a funding deficiency, a transfer from the contribution stabilization reserve and amendments to the rate of cost-of-living adjustments to pensions will be utilized to resolve the deficiency. The above extrapolation anticipates that the funding deficiency at December 31, 2014 will be resolved through a further reduction in the rate of cost-of-living adjustment.

12. Pension Costs and Obligations (continued)

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 2014, the City paid out $0.3 million (2013 - $0.3 million). An actuarially determined pension obligation of $3.9 million (2013 - $3.9 million) has been reflected in the Consolidated Statement of Financial Position.

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

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of City Council for The City of Winnipeg.

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, 2013 and the results were extrapolated to December 31, 2014. The principal long-term assumptions on which the valuation was based were: discount rate of 3.30% per year (2013 - 4.30%); and general pay increases of 3.50% per year (2013 - 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:

	2014	2013
Group life insurance plan assets, at actuarial value	**$ 141,522**	$ 138,092
Accrued post-retirement life insurance obligations	**$ 117,731**	$ 92,741

13. Tangible Capital Assets

	Net Book Value	
	2014	2013
General		
Land	**$ 221,050**	$ 211,130
Buildings	**438,862**	386,293
Vehicles	**161,326**	179,281
Computer	**31,566**	33,057
Other	**265,613**	200,427
Infrastructure		
Plants and facilities	**581,533**	587,634
Roads	**1,202,340**	1,129,322
Underground and other networks	**1,993,372**	1,931,198
Bridges and other structures	**548,418**	541,214
	5,444,080	5,199,556
Assets under construction	**400,424**	337,607
	$ 5,844,504	$ 5,537,163

13. Tangible Capital Assets (continued)

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

During the year, $nil (2013 - $nil) of tangible capital assets were written-down. Interest capitalized during 2014 was $3.7 million (2013 - $3.4 million). In addition, roads and underground networks contributed to the City totalled $64.4 million in 2014 (2013 - $91.9 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $281.1 million (2013 - $286.0 million) of tangible capital assets that were acquired through service concession arrangements.

14. Accumulated Surplus

Accumulated surplus consists of the following:

	2014	2013
Invested in tangible capital assets	**$ 4,890,347**	$ 4,637,548
Reserves (Schedule 2)	**291,645**	266,460
Manitoba Hydro long-term receivable (Note 5)	**220,238**	220,238
Other surplus accumulated in utility operations, consolidated entities and other	**150,767**	197,793
Equity in government businesses (Note 6)	**34,447**	35,812
Unfunded expenses to be funded from future revenues:		
Accrued employee benefits and other	**(180,624)**	(172,283)
Environmental liabilities	**(36,176)**	(27,127)
Canadian Museum for Human Rights grant	**(10,304)**	(10,778)
	$ 5,360,340	$ 5,147,663

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, 2014 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
2015	$ 8,406
2016	7,663
2017	7,173
2018	6,813
2019	5,374
2020 and thereafter	75,923
	$ 111,352

15. *Commitments and Contingencies (continued)*

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, 2014 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, 2014 is $23.2 million (2013 - $7.4 million).

d) Service concession arrangements

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

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

e) Veolia agreement

On April 20, 2011, the City entered into an agreement with VWNA Winnipeg Inc. (“Veolia”) for the provision of expert advice to the City to assist with construction and operating improvements to the City’s sewage treatment system (the “Program”). The agreement 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 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. Representatives of Veolia are working collaboratively with representatives of the City providing advice and recommendations in respect of the City's (i) management and operation of the Facilities (ii) assessment, planning and delivery of upgrades and capital modification to the Facilities; and (iii) assessment, planning and delivery of operational improvement 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 setting 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.

15. *Commitments and Contingencies (continued)*

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 capital projects and operations 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 the 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 achieving or completing 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 in providing services as indicated in Item 1 in the above paragraph.

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

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

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

The agreement requires 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 provides 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, 2014, the forgivable loans totalled $5.3 million (2013 - $5.7 million).

16. *Taxation*

	2014	2013
Municipal and school property taxes	**$ 1,037,506**	$ 985,893
Payments-in-lieu of property (municipal and school) and business taxes	**49,356**	47,147
	1,086,862	1,033,040
Payments to Province and school divisions	**(579,245)**	(550,039)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	**507,617**	483,001
Business taxes and license-in-lieu of business taxes	**58,818**	56,326
Local improvement and frontage levies	**43,180**	42,488
Electricity and natural gas sales taxes	**20,109**	18,995
Amusement and accommodation taxes and mobile home licences	**11,077**	11,003
	$ 640,801	$ 611,813

16. Taxation (continued)

The property tax roll includes school taxes of $549.1 million (2013 - $521.5 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2014 totalled $30.1 million (2013 - $28.5 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province. If property taxes are reduced due to an assessment reduction, the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

Business taxes do not include the amount of levy imposed for business improvement zones of $4.3 million (2013 - $4.2 million).

17. Sales of Services and Regulatory Fees

	2014	2013
Water sales and sewage services	**$ 244,762**	$ 235,875
Other sales of goods and services	**132,908**	129,962
Transit fares	**78,091**	76,482
Regulatory fees	**70,569**	65,550
	$ 526,330	$ 507,869

18. Government Transfers

	2014	2013
Operating		
Province of Manitoba		
Ambulance, libraries and other	**$ 57,598**	$ 62,049
Building Manitoba Fund	**57,104**	56,604
Transit	**37,854**	33,534
Unconditional	**26,494**	19,888
Support	**13,079**	12,425
Support for provincial programs	**(23,650)**	(23,650)
	168,479	160,850
Government of Canada	**538**	487
Total Operating	**169,017**	161,337

18. Government Transfers (continued)

	2014	2013
Capital		
Province of Manitoba		
Building Manitoba Fund		
Manitoba Winnipeg Infrastructure Agreement	**36,662**	-
Winnipeg Convention Centre	**22,550**	11,518
Road Improvements	**16,690**	12,935
Manitoba Winnipeg Infrastructure Funding	**4,022**	15,100
Other	**13,950**	14,247
	93,874	53,800
International Polar Bear Conservation Centre	**30,000**	-
Building Canada Fund	**9,487**	-
Manitoba Housing Renewal Corporation	**1,227**	5,379
	134,588	59,179
Government of Canada		
Federal gas tax revenue	**41,014**	46,476
Other capital funding	**34,228**	25,266
	75,242	71,742
Total Capital	**209,830**	130,921
	$ 378,847	$ 292,258

In accordance with the recommendations of the Public Sector Accounting Board, government transfers, to the extent a liability does not exist, and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the tangible capital assets are acquired.

19. Expenses by Object

	2014	2013
Salaries and benefits	**$ 779,586**	$ 730,133
Goods and services	**428,012**	376,614
Amortization of tangible capital assets	**208,074**	198,106
Interest	**53,715**	54,732
Other expenses	**34,472**	37,215
	$ 1,503,859	$ 1,396,800

20. Budget

On March 23, 2015 Council approved the 2015 budget for the City of Winnipeg, including operating budgets for tax supported, utility, special operating agency and reserve operations as well as a capital budget. Included in the 2015 budget document is a 2014 consolidated budget that considers a number of adjustments for inter-fund transaction eliminations, tangible capital asset based revenues and amortization, controlled entity operations and the accrual of unfunded expenses. The resulting 2014 consolidated budget presented in the budget has been utilized in these consolidated financial statements.

21. *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 (Schedule 2) that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year.

22. *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.

22. *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 3).

23. *Funds Held in Trust*

Trust funds administered by the City for the benefit of external parties, which total $0.3 million (2013 - $0.3 million), are not included in the consolidated financial statements.

24. *Comparative Figures*

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

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	General				
	Land	**Buildings**	**Vehicles**	**Computer**	**Other**
Cost					
Balance, beginning of year	**$ 211,130**	**$ 689,823**	**$ 367,923**	**$ 148,681**	**$ 314,035**
Add:					
Additions during the year	**11,248**	**75,490**	**7,893**	**6,602**	**90,964**
Less:					
Disposals during the year	**1,328**	**298**	**2,833**	**536**	**115**
Balance, end of year	**221,050**	**765,015**	**372,983**	**154,747**	**404,884**
Accumulated amortization					
Balance, beginning of year	**-**	**303,530**	**188,642**	**115,624**	**113,608**
Add:					
Amortization	**-**	**22,916**	**25,596**	**7,964**	**25,766**
Less:					
Accumulated amortization on disposals	**-**	**293**	**2,581**	**407**	**103**
Balance, end of year	**-**	**326,153**	**211,657**	**123,181**	**139,271**
Net Book Value of Tangible Capital Assets	**$ 221,050**	**$ 438,862**	**$ 161,326**	**$ 31,566**	**$ 265,613**

Infrastructure					Totals	
Plants and Facilities	**Roads**	**Underground and Other Networks**	**Bridges and Other Structures**	**Assets Under Construction**	**2014**	2013
$ 840,675	**$ 2,103,307**	**$ 2,903,681**	**$ 755,273**	**$ 337,607**	**$ 8,672,135**	$ 8,152,533
10,452	**127,960**	**104,319**	**20,669**	**62,817**	**518,414**	543,938
100	**2,247**	**4,637**	**-**	**-**	**12,094**	24,336
851,027	**2,229,020**	**3,003,363**	**775,942**	**400,424**	**9,178,455**	8,672,135
253,041	**973,985**	**972,483**	**214,059**	**-**	**3,134,972**	2,948,908
16,453	**54,919**	**40,995**	**13,465**	**-**	**208,074**	198,106
-	**2,224**	**3,487**	**-**	**-**	**9,095**	12,042
269,494	**1,026,680**	**1,009,991**	**227,524**	**-**	**3,333,951**	3,134,972
$ 581,533	**$ 1,202,340**	**$ 1,993,372**	**$ 548,418**	**$ 400,424**	**$ 5,844,504**	$ 5,537,163

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF RESERVES

Schedule 2

As at December 31
(in thousands of dollars)

	2014	2013
Reserves		
Capital Reserves		
Environmental Projects	**$ 73,006**	$ 67,338
Transit Bus Replacement	**16,766**	7,157
Sewer System Rehabilitation	**15,328**	17,821
Rapid Transit Infrastructure	**8,914**	8,856
Brady Landfill Site Rehabilitation	**5,280**	4,959
Water Main Renewal	**3,562**	3,787
Waste Diversion	**1,312**	952
Computer Replacement	**1,221**	1,248
Local Streets Renewal	**850**	500
Golf Course	**496**	1,325
Regional Street Renewal	**188**	-
Federal Gas Tax Revenue	**128**	605
	127,051	114,548
Special Purpose Reserves		
Land Operating *	**21,313**	(4,633)
Perpetual Maintenance Fund - Brookside Cemetery	**14,938**	14,430
Destination Marketing	**8,036**	11,568
Land Dedication	**7,115**	5,049
Multi-Family Dwelling Tax Investment	**5,536**	7,006
Insurance (Note 21)	**5,244**	7,980
Workers Compensation	**5,217**	4,726
Commitment	**3,739**	4,093
Economic Development Investment	**3,697**	2,341
Housing Rehabilitation Investment	**2,158**	3,125
Insect Control Urgent Expenditures	**2,004**	3,000
Permit	**1,014**	2,001
General Purpose	**937**	3,204
Perpetual Maintenance Fund - St.Vital Cemetery	**880**	850
Perpetual Maintenance Fund - Transcona Cemetery	**615**	596
Heritage Investment	**304**	823
Wading and Outdoor Pool Extended Season	**63**	-
	82,810	66,159
Stabilization Reserve		
Financial Stabilization	**81,784**	85,753
Total Reserves	**$ 291,645**	$ 266,460

***** This excludes the investment held for the River Park South Developments Inc. government business partnership.

	2014	2013
Reserve balance as disclosed above	**$ 21,313**	$ (4,633)
Investment held in River Park South Developments Inc. (Note 6)	**10,021**	11,704
	$ 31,334	$ 7,071

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

For the year ended December 31, 2014
(in thousands of dollars)

	General Revenue Fund			
	Protection	**Community Services**	**Planning**	**Public Works and Water**
REVENUES				
Taxation	**$ 272,844**	**$ 87,468**	**$ -**	**$ 201,950**
Sales of services and regulatory fees	**58,117**	**15,272**	**22,420**	**6,344**
Government transfers (Note 18)	**72,305**	**10,297**	**-**	**19,385**
Transfer from other funds	**7,366**	**2,208**	**17,963**	**16,619**
Other	**16,125**	**4,342**	**1,933**	**9,132**
	426,757	**119,587**	**42,316**	**253,430**
***EXPENSES** (Note 19)*				
Salaries and benefits	**367,909**	**38,468**	**23,290**	**74,447**
Goods and services	**37,357**	**8,705**	**3,015**	**135,157**
Interest	**498**	**655**	**76**	**9,288**
Transfer to other funds	**16,008**	**52,027**	**14,632**	**50,876**
Other	**4,985**	**19,732**	**1,303**	**(16,338)**
	426,757	**119,587**	**42,316**	**253,430**
ANNUAL SURPLUS	**$ -**	**$ -**	**$ -**	**$ -**

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

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

Finance and Administration	**Transit System Fund**	**Water and Waste Funds**	**Other Funds and Corporations**	**Eliminations**	**Consolidated**
$ 75,236	**$ -**	**$ -**	**$ 17,024**	**$ (13,721)**	**$ 640,801**
12,831	**81,194**	**279,726**	**103,838**	**(53,412)**	**526,330**
15,915	**45,275**	**8,527**	**240,051**	**(32,908)**	**378,847**
4,791	**44,666**	**44,893**	**355,979**	**(494,485)**	**-**
28,991	**479**	**33,696**	**106,740**	**(30,880)**	**170,558**
137,764	**171,614**	**366,842**	**823,632**	**(625,406)**	**1,716,536**
41,480	**98,267**	**66,804**	**55,135**	**13,786**	**779,586**
16,980	**51,469**	**115,252**	**111,961**	**(51,884)**	**428,012**
244	**6,419**	**11,366**	**36,146**	**(10,977)**	**53,715**
61,213	**6,766**	**89,337**	**25,419**	**(316,278)**	**-**
17,847	**19,909**	**41,359**	**221,937**	**(68,188)**	**242,546**
137,764	**182,830**	**324,118**	**450,598**	**(433,541)**	**1,503,859**
$ -	**$ (11,216)**	**$ 42,724**	**$ 373,034**	**$ (191,865)**	**$ 212,677**

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

THE CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW

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

			2014	2013	2012	2011	2010
1. Population (as restated per Statistics Canada)			**709,253**	698,696	689,575	677,830	669,440
Unemployment rate (as restated per Statistics Canada)							
- Winnipeg			**5.8%**	6.0%	5.6%	5.8%	5.7%
- National average			**6.9%**	7.1%	7.3%	7.5%	7.5%
2. Average annual headcount			**10,206**	10,143	10,080	10,039	9,942
3. Number of taxable properties			**223,411**	220,942	218,973	216,997	215,224
Payments-in-lieu of taxes							
Number of properties			**988**	1,042	1,317	1,181	1,238
4. Assessment	- Residential	$	**59,439,781**	51,599,866	50,738,087	44,052,618	43,431,201
(see note)	- Commercial and industrial		**15,102,472**	13,501,469	13,310,247	12,054,712	12,033,087
	- Farm and golf		**313,569**	245,037	244,951	179,736	183,279
		$	**74,855,821**	65,346,372	64,293,285	56,287,066	55,647,567
Assessment per capita	(in dollars)	$	**105,542**	93,526	93,236	83,040	83,126
Commercial and industrial as a percentage of assessment			**20.18%**	20.66%	20.70%	21.42%	21.62%
5. Tax arrears		$	**54,825**	49,592	37,960	34,747	34,387
6. Tax arrears - per capita (in dollars)		$	**77.30**	70.98	55.05	51.26	51.37
7. Municipal mill rate			**13.372**	14.600	14.056	15.295	15.295
- Adjustment for tax increase			**3.0%**	3.9%	3.5%	0.0%	0.0%
- Adjustment for general assessment			**-11.0%**	0.0%	-11.2%	0.0%	-39.9%
8. Winnipeg consumer price index (per Statistics Canada) (annual average)							
- 2002 base year 100			**124.9**	122.6	119.9	118.1	114.8
- Percentage increase			**1.9%**	2.3%	1.5%	2.9%	0.8%
9. Consolidated revenues							
- Taxation		$	**640,801**	611,813	587,578	563,779	550,994
- User charges			**526,330**	507,869	483,339	460,452	425,164
- Government transfers			**378,847**	292,258	280,237	298,086	251,886
- Interest and other revenue			**170,558**	207,318	145,987	147,293	125,812
		$	**1,716,536**	1,619,258	1,497,141	1,469,610	1,353,856
10. Consolidated expenses by function							
- Municipal operations		$	**1,067,090**	994,365	910,177	891,823	851,469
- Public utilities			**378,584**	347,652	338,028	334,154	301,637
- Civic corporations			**58,185**	54,783	51,518	47,257	31,532
		$	**1,503,859**	1,396,800	1,299,723	1,273,234	1,184,638
11. Growth in accumulated surplus		$	**212,677**	222,458	197,418	196,376	169,218

Note: Current provincial legislation requires that a general assessment be performed every two years. A general assessment occurred in 2010, 2012 and 2014. 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)

		2014	2013	2012	2011	2010
12. Consolidated expenses by object						
Salaries and benefits	$	**779,586**	730,133	695,849	664,221	623,232
Goods and services		**428,012**	376,614	344,217	357,008	324,119
Amortization		**208,074**	198,106	188,432	175,765	165,857
Interest		**53,715**	54,732	53,587	43,954	46,233
Other expenses		**34,472**	37,215	17,638	32,286	25,197
	$	**1,503,859**	1,396,800	1,299,723	1,273,234	1,184,638
13. Payments to school authorities	$	**579,245**	550,039	521,322	497,237	497,907
14. Debt						
Tax-supported	$	**687,586**	557,781	560,073	334,359	274,838
Transit		**97,125**	103,936	109,709	110,449	81,408
City-owned utilities		**198,737**	248,719	296,868	285,799	290,605
Other		**84,816**	74,848	80,012	70,321	68,238
Total gross debt		**1,068,264**	985,284	1,046,662	800,928	715,089
Less: Sinking Funds		**125,630**	195,237	264,037	242,528	218,687
Total net long-term debt	$	**942,634**	790,047	782,625	558,400	496,402
Percentage of total assessment		**1.26%**	1.21%	1.22%	0.99%	0.89%
15. Acquisition of tangible capital assets	$	**518,414**	543,938	653,993	486,320	333,851
16. Net financial (liabilities) assets	$	**(509,896)**	(411,063)	(325,605)	(55,176)	48,603
17. Accumulated surplus						
Invested in tangible capital assets	$	**4,890,347**	4,637,548	4,397,884	4,197,895	3,983,440
Reserves						
Capital		**127,051**	114,548	114,907	107,716	97,376
Special Purpose		**82,810**	77,863	90,219	81,981	71,973
Stabilization		**81,784**	85,753	80,404	85,305	81,582
		291,645	278,164	285,530	275,002	250,931
Surpluses						
Manitoba Hydro long-term receivable		**220,238**	220,238	220,238	220,238	220,238
Other surpluses		**185,214**	221,901	199,539	205,043	236,686
Unfunded expenses		**(227,104)**	(210,188)	(190,683)	(183,088)	(172,581)
		178,348	231,951	229,094	242,193	284,343
	$	**5,360,340**	5,147,663	4,912,508	4,715,090	4,518,714
18. Government-specific indicators						
Assets-to-liabilities		**4.49**	4.79	4.85	5.62	6.00
Financial assets-to-liabilities		**0.67**	0.70	0.75	0.95	1.05
Public debt charges-to-revenues		**0.03**	0.04	0.04	0.03	0.03
Own-source revenues-to-taxable assessment		**0.02**	0.02	0.02	0.02	0.02
Government transfers-to-revenues		**0.22**	0.18	0.19	0.20	0.19

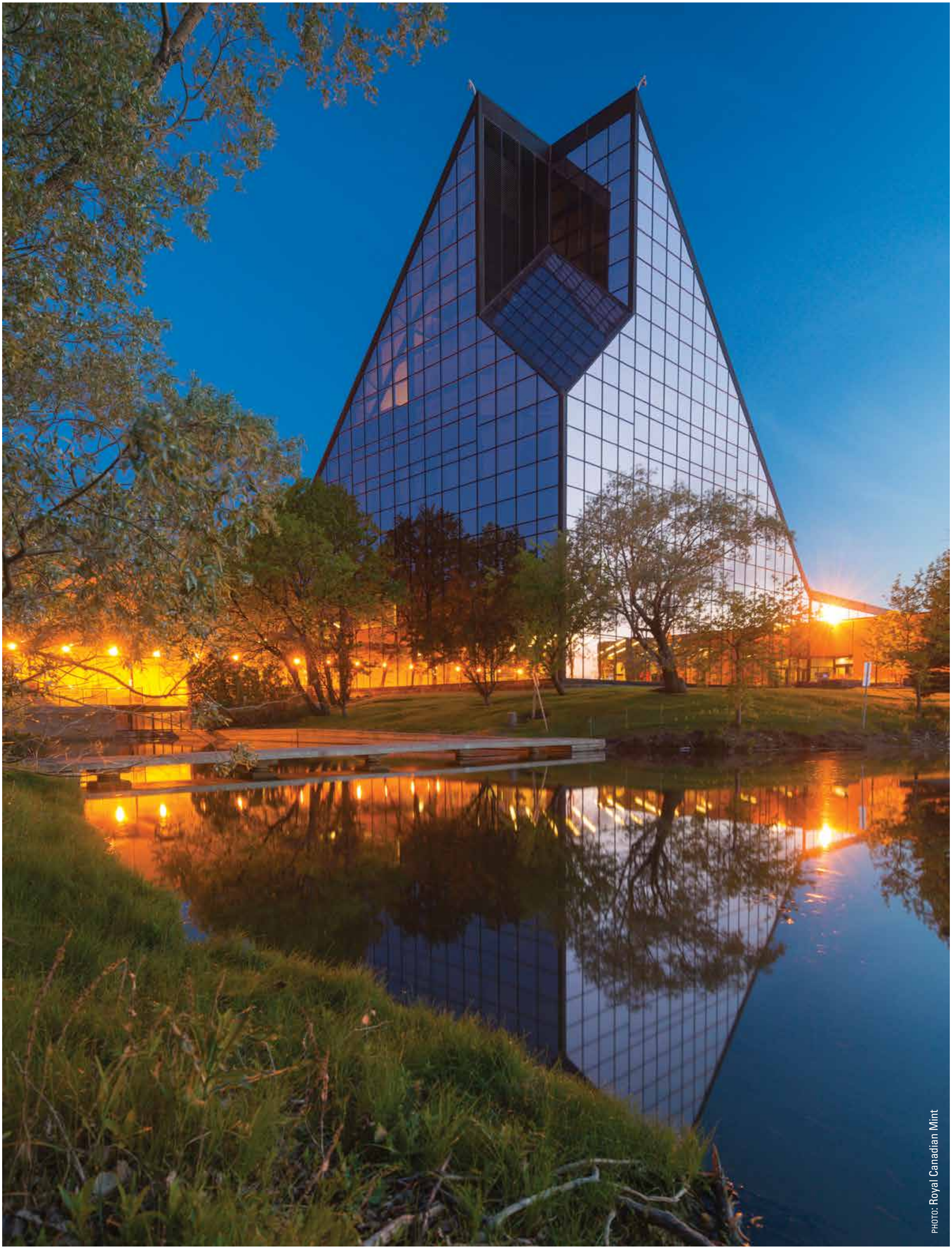


PHOTO: Royal Canadian Mint

2 0 1 4 F U N D S

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

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

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

For the year-ended December 31, 2014, the General Revenue Fund reported a net surplus of $0.7 million (2013 - $1.8 million deficit) before transfers. Factors that contributed to the General Revenue Fund's position were as follows:

- The Public Works department's expenses were higher than anticipated due mainly to increased spending on the snow clearing and ice control program that was over budget by $26.4 million.
- Fire Paramedic Service department's net mill rate support is $2.1 million over budget as a result of increased salaries and benefits expense, including overtime, and ambulance revenues falling short. This is offset by additional transfers from Winnipeg Regional Health Authority.
- The Corporate Support Services department experienced a $1.0 million favourable variance mostly due to reduced spending on salaries and benefits as well as savings in other expenses.
- The Water and Waste department's net mill rate was favourable by $1.5 million mostly related to decreased landfill tipping fees.
- The Community Services department's net mill rate was lower than budget mostly due to savings in cash grants and lower salary and benefits costs, offset somewhat by reduced programming revenue.
- The Corporate Finance department's net mill rate support was under budget by $2.2 million mainly as a result of increased capital construction interest.
- The Police department experienced a $3.8 million favourable variance net of facility costs variances. This was mostly related to greater than budget photo radar revenue.
- Corporate's net mill rate was lower than budgeted by $15.4 million because of a net recovery from the Workers Compensation Board, savings related to debt servicing charges as well as adjustments to provisions. These are partially offset by reduced savings from alternative service delivery and mandatory days off initiatives.
- Other departmental revenues and expenses provided $1.1 million of surplus to the total position.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

FIVE-YEAR REVIEW

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

	2014	2013	2012	2011	2010
Planning, Property and Development					
Construction					
-Permits issued	**8,595**	8,461	10,124	10,046	9,543
-Value	**$ 1,537,716**	$ 1,781,937	$ 1,541,071	$ 1,158,757	$ 1,152,406
Housing starts	**4,548**	3,866	3,574	2,976	2,737
Community Services					
Libraries Provincial Transfer	**$ 2,010**	$ 2,010	$ 2,010	$ 2,010	$ 2,010
Library circulation	**5,211,846**	5,319,275	5,585,216	5,472,382	5,423,042
Taxes Receivable					
Property, payments-in-lieu and business taxes	**$ 51,777**	$ 46,985	$ 37,960	$ 34,747	$ 34,387
Allowance for tax arrears	**(6,183)**	(3,694)	(3,351)	(2,629)	(3,080)
	$ 45,594	$ 43,291	$ 34,609	$ 32,118	$ 31,307
Tax Revenues					
Municipal realty taxes	**$ 480,053**	$ 453,682	$ 432,584	$ 409,208	$ 405,785
Payments-in-lieu of taxes	**$ 32,885**	$ 31,144	$ 29,076	$ 28,646	$ 30,519
Business and licenses-in-lieu of business taxes	**$ 57,729**	$ 56,412	$ 55,629	$ 55,655	$ 56,417
Statement of Operations (1)					
Revenues	**$ 979,856**	$ 930,557	$ 898,614	$ 869,588	$ 813,059
Expenses	**979,132**	930,557	882,756	859,888	813,059
	724	-	15,858	9,700	-
Contribution to:					
General Purpose Reserve	**(724)**		(15,858)	(9,700)	-
Mill Rate Stabilization Reserve	**-**	-	-	-	-
Surplus	**$ -**	$ -	$ -	$ -	$ -

(1) The 2010 figures have not been reclassified to conform with 2011 - 2014 presentation.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

STATEMENT OF FINANCIAL POSITION

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

	2014	2013
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 364,212**	$ 621,405
Accounts receivable (Note 4)	**114,862**	97,399
Materials and supplies	**8,973**	7,264
Prepaid expenses	**1,450**	1,189
	489,497	727,257
Investments (Note 5)	**49,915**	38,162
Contributed surplus and other assets (Note 6)	**37,628**	35,568
	$ 577,040	$ 800,987
LIABILITIES		
Current		
Notes payable (Note 7)	**$ 52,395**	$ 323,802
Due to other funds (Note 8)	**345,079**	287,612
Accounts payable and accrued liabilities (Note 9)	**120,028**	130,612
Deferred revenue (Note 10)	**34,577**	34,763
Performance and other deposits	**24,961**	24,198
	$ 577,040	$ 800,987

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)

	2014 Budget	2014 Actual	2013 Actual
REVENUES (Schedule 1)			
Taxation (Note 12)	**$ 604,855**	**$ 604,613**	$ 575,342
Government transfers	**113,763**	**117,903**	115,834
Sale of goods and services (Note 13)	**64,479**	**61,997**	66,127
Regulation fees	**49,714**	**52,988**	50,066
Contributions and transfers	**56,788**	**48,947**	47,197
Payments-in-lieu of taxes (Note 12)	**32,885**	**32,885**	31,144
Sale of Winnipeg Hydro and Other	**18,468**	**31,263**	17,495
Investment and other interest	**28,232**	**29,260**	27,352
Total Revenues	**969,184**	**979,856**	930,557
EXPENSES (Schedules 2 and 3)			
Protection and community services	**550,731**	**547,324**	525,545
Public works	**230,718**	**253,429**	239,010
Finance and administration	**86,898**	**84,562**	79,791
Contribution to Transit System	**47,443**	**47,443**	45,888
Property and development	**40,553**	**42,316**	44,596
Employee benefits and payroll tax	**13,887**	**16,441**	13,188
Debt and finance charges	**1,547**	**456**	1,304
Other	**(2,593)**	**(12,839)**	(18,765)
Total Expenses	**969,184**	**979,132**	930,557
Surplus for the year before contributions	**-**	**724**	-
Contribution:			
General Purpose Reserve	**-**	**(724)**	-
Surplus for the year	**$ -**	**$ -**	$ -

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 significant accounting policies summarized below.

a) Basis of presentation

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

b) Basis of accounting

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

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

c) Cash equivalents

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

d) Materials and supplies

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

e) Investments

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

1. *Significant Accounting Policies (continued)*

f) Deferred revenue

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

g) Debt and finance charges

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

h) Administration and interest on capital work

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

i) Debenture premiums and issue expenses

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

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

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

k) Tax Revenue

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

The City is required by The Public Schools Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, no tax revenue is recognized in these consolidated financial statements for amounts collected on behalf of school divisions, nor are the revenues, expenses, assets and liabilities with respect to the operations of the school boards.

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

1. *Significant Accounting Policies (continued)*

l) Government transfers

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

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

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

2. *Status of the General Revenue Fund*

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

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

3. *Cash and Cash Equivalents*

	2014	2013
Bank balance, net of other cash items	**$ (2,399)**	$ 2,760
Cash equivalents	**366,611**	618,645
	$ 364,212	$ 621,405

Cash equivalents have an effective average interest rate of 1.3% (2013 - 1.3%).

4. *Accounts Receivable*

	2014	2013
Property, payments-in-lieu and business taxes	**$ 51,777**	$ 46,985
Allowance for tax arrears	**(6,183)**	(3,694)
	45,594	43,291
Trade accounts and other receivables	**30,977**	28,008
Province of Manitoba	**37,605**	24,664
Government of Canada	**4,031**	4,759
Accrued interest receivable	**1,706**	1,812
Allowance for doubtful accounts	**(5,051)**	(5,135)
	69,268	54,108
	$ 114,862	$ 97,399

5. *Investments*

	2014	2013
Marketable securities		
Provincial bonds	**$ 8,974**	$ 943
Municipal bonds	**40,941**	37,219
	$ 49,915	$ 38,162

The aggregate market value of marketable securities at December 31, 2014 is $50.2 million (2013 - $38.6 million).

6. *Contributed Surplus and Other Assets*

	2014	2013
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, start-up loan, non-interest bearing (2013 - 6%)	**2,963**	2,963
Deferred election costs	**2,060**	-
	$ 37,628	$ 35,568

Interest revenue received on the loan to Golf Services - Special Operating Agency during the year was $nil (2013 - $179 thousand).

Interest revenue received on the loan to Winnipeg Parking Authority - Special Operating Agency during the year was $nil (2013 - $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% (2013 - 1.0%). These notes are callable by the issuers.

	2014	2013
Winnipeg Police Pension Plan	**$ 24,068**	$ 41,343
Winnipeg Civic Employees' Benefits Program (Pension Fund)	**22,662**	147,546
Insurance Reserve	**2,328**	4,841
Sinking Fund	**1,793**	796
Workers Compensation Reserve	**1,133**	2,633
Perpetual Maintenance Reserve Funds:		
- Brookside Cemetery	**237**	468
- St. Vital Cemetery	**69**	40
- Transcona Cemetery	**43**	25
Brady Landfill Site Rehabilitation Reserve	**62**	257
The Civic Employees' Group Life Insurance Plan	**-**	125,853
	$ 52,395	$ 323,802

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.

	2014	2013
Capital Reserves	**$ 146,184**	$ 133,207
Financial Stabilization Reserve	**81,785**	85,753
Sewage Disposal System	**73,601**	68,202
Special Purpose Reserves	**45,784**	49,406
Transit System	**12,215**	6,823
General Revenue Enterprises	**10,605**	28,655
Waterworks System	**7,799**	25,350
Municipal Accommodations	**7,029**	1,584
Solid Waste Disposal	**1,197**	2,168
Animal Services - Special Operating Agency	**640**	734
Trusts	**274**	283
Equipment and Material Services	**132**	2,119
Winnipeg Enterprises Corporation	**(973)**	(960)
Winnipeg Parking Authority - Special Operating Agency	**(1,570)**	(1,489)
Fleet Management - Special Operating Agency	**(2,781)**	(9,738)
Golf Services - Special Operating Agency	**(7,656)**	(7,585)
General Capital	**(29,186)**	(96,900)
	$ 345,079	$ 287,612

9. *Accounts Payable and Accrued Liabilities*

	2014	2013
Trade accounts payable	**$ 50,510**	$ 55,856
Provincial education support and school division special levies payable	**28,082**	27,529
Wages and employee benefits payable	**19,638**	23,465
Other accrued liabilities	**11,610**	14,110
Provision for assessment appeals	**8,594**	7,350
Accrued interest on long-term debt	**1,594**	2,302
	$ 120,028	$ 130,612

10. *Deferred Revenue*

	2014	2013
Deferred gain on sale of assets to:		
Golf Services - Special Operating Agency	**$ 21,575**	$ 21,675
Winnipeg Parking Authority - Special Operating Agency	**6,356**	6,356
Province of Manitoba, Federal Government and other	**5,565**	5,487
Registration fees	**1,026**	1,090
Rentals	**55**	155
	$ 34,577	$ 34,763

11. Commitments and Contingent Liabilities

The following significant commitments and contingencies existed at December 31, 2014:

a) Loan guarantees

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

	2014	2013
CentreVenture Development Corporation	**$ 25,848**	$ 22,399
Assiniboine Park Conservancy	**17,000**	11,000
Garden City Community Centre Inc.	**12,159**	595
Transcona East End Community Club Inc.	**6,300**	-
Southdale Recreation Association Inc.	**2,780**	3,061
Dakota Community Centre Inc.	**1,259**	1,454
Winnipeg Soccer Federation	**313**	362
Gateway Recreation Centre Inc.	**231**	423
Glenwood Community Centre Inc.	**66**	66
St. Norbert Community Centre	**60**	97
Maples Recreation Association Inc.	**36**	75
Granite Curling Club	**19**	29
Winnipeg Housing Rehabilitation Corporation	**-**	1,274
Winnipeg Enterprises Corporation	**-**	142
	$ 66,071	$ 40,977

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, 2014, 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, 2014 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 in the period in which settlement occurs.

12. Taxation

The property tax roll recorded in the General Revenue Fund for the year totalled $1.0 billion (2013 - $975.2 million). This included school taxes of $549.2 million (2013 - $521.6 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were $63.0 million (2013 - $59.6 million). Included were payments-in-lieu of school taxes assessed in 2014 of $30.1 million (2013 - $28.5 million). School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba and are not reflected as revenues or expenses in these financial statements. When an assessment is reduced the City is compelled by legislation to refund municipal taxes, school taxes and payments-in-lieu of school taxes with applicable interest.

12. Taxation (continued)

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

	2014	2013
Sewage Disposal System	**$ 9,937**	$ 8,862
Waterworks System	**2,565**	2,346
Transit System	**773**	543
Winnipeg Parking Authority - Special Operating Agency	**192**	418
Solid Waste Disposal	**23**	7
Golf Services - Special Operating Agency	**-**	263
	$ 13,490	$ 12,439

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:

	2014	2013
Waterworks System	**$ 1,055**	$ 988
Sewage Disposal System	**908**	904
Transit System	**785**	781
Municipal Accommodations	**608**	606
Solid Waste Disposal	**136**	135
Winnipeg Parking Authority - Special Operating Agency	**80**	37
Animal Services - Special Operating Agency	**77**	70
Fleet Management - Special Operating Agency	**63**	-
Golf Services - Special Operating Agency	**17**	16
	$ 3,729	$ 3,537

14. Contributions and Appropriations to Related Parties

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

Included in Community Services department's expenses are transfers to various funds as follows: Animal Services - Special Operating Agency net transfer $1.4 million (2013 - $1.4 million); and Wading and Outdoor Pool Extended Season Reserve $352 thousand (2013 - $536 thousand).

Included in Public Works department's expenses is a transfer to the Insect Control Urgent Expenditures Reserve $692 thousand (2013 - $1.7 million).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Reserves in the amount of $223 thousand (2013 - $241 thousand), a transfer to the Permit Reserve of $nil (2013 - $932 thousand) and the Housing Rehabilitation Investment Reserve of $1.0 million (2013 - $1.5 million).

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes $247 thousand (2013 - $237 thousand) from the Financial Stabilization Reserve, $247 thousand (2013 - $287 thousand) from the Special Purpose Reserves, $378 thousand (2013 - $360 thousand) from the Capital Reserves, and $87 thousand (2013 - $62 thousand) from the Sinking Fund.

14. Contributions and Appropriations to Related Parties (continued)

Included in government affairs, pension contribution and other expenses during 2014 is a $94 thousand (2013 - $94 thousand) transfer from the Municipal Accommodations Fund.

Included in various expense categories are the following: during 2014 a transfer of $63.6 million to the Municipal Accommodations Fund (2013 - $60.2 million); a transfer to the Computer Replacement Reserve of $440 thousand (2013 - $645 thousand); a transfer to the General Capital Fund of $61.1 million (2013 - $60.1 million) to fund capital projects; a contribution to the Commitment Reserve of $3.4 million (2013 - $2.9 million); a transfer to the Insurance Reserve of $532 thousand (2013 - $1.2 million); a transfer from the General Capital Fund of $141 thousand (2013 - $7.8 million) for capital expenditures; a transfer to the Waterworks System Fund of $73 thousand (2013 - $125 thousand);a transfer to Local Streets Renewal Reserve of $9.2 million (2013 - $4.5 million) and a transfer to Regional Streets Renewal Reserve of $4.7 million (2013 - $nil).

15. Pension Costs and Obligations

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

The Fund's employees are eligible for benefits under the Winnipeg Civic Employees' Benefits Pension and the Winnipeg Police Pension Plans. The City allocates its benefit costs to various departments. During the year $51.8 million (2013 - $48.3 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, 2014 has been estimated to be $3.9 million (2013 - $3.9 million). In 2014, the City paid out $0.3 million (2013 - $0.3 million).

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

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

In 2014, the City paid out $0.3 million (2013 - $1.1 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 (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2014 at $81.5 million (2013 - $78.3 million).

b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2014 is estimated at $26.7 million (2013 - $10.4 million).

c) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2014 is estimated at $38.0 million (2013 - $37.0 million).

16. Other Employee Benefits (continued)

d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2014 is estimated at $18.1 million (2013 - $15.7 million).

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

17. Related Party Transactions

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

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2014 Budget	2014 Actual	2013 Actual
Taxation			
Municipal realty tax	$ 479,642	$ 480,053	$ 453,682
Business and licenses-in-lieu of business taxes	57,729	57,729	56,412
Frontage levy	41,731	42,119	41,524
Electricity and natural gas sales taxes	21,490	20,109	18,995
Entertainment tax	2,000	2,193	2,219
Local improvement tax	1,340	1,380	1,408
Billboard tax	485	534	414
Licenses-in-lieu of realty tax	363	365	364
Local improvement tax commuted	75	131	324
	604,855	604,613	575,342
Government transfers			
Provincial			
Building Manitoba Fund	56,603	57,104	56,604
Unconditional	19,888	26,494	19,888
Ambulance	9,466	11,915	10,415
Casino	11,744	11,774	11,744
Support	9,101	9,735	9,226
Emergency medical services	5,750	5,750	5,750
Other	4,608	4,745	5,598
Assessment	3,000	3,000	3,000
Larviciding	2,300	2,300	2,300
Policing	2,000	2,300	2,000
Libraries	2,010	2,010	2,010
Policing - helicopter	1,561	1,752	1,516
Main Street project	711	1,176	882
Dutch elm disease control	1,550	1,000	1,000
Video lottery terminal	7,106	-	7,106
Services transferred to the Province	(23,650)	(23,650)	(23,650)
	113,748	117,405	115,389
Federal government	15	498	445
	113,763	117,903	115,834
Sale of goods and services	64,479	61,997	66,127

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2014 Budget	2014 Actual	2013 Actual
Regulation fees			
Permits and fees	**23,035**	**22,351**	23,809
Fines	**17,310**	**19,973**	16,639
Tax penalties	**6,850**	**7,954**	7,188
Licenses	**2,519**	**2,710**	2,430
	49,714	**52,988**	50,066
Contributions and transfers			
Land Operating Reserve	**11,935**	**11,935**	6,935
Financial Stabilization Reserve	**11,740**	**11,740**	5,757
Sewage Disposal System	**11,908**	**10,844**	13,694
General Purpose Reserve	**3,000**	**3,000**	12,500
Municipal Accommodations (Note 14)	**11,507**	**3,615**	1,533
Insect Control Urgent Expenditure Reserve	**1,700**	**1,700**	1,300
Housing Rehabilitation Reserve	**1,196**	**1,196**	340
Permit Reserve	**-**	**1,000**	945
Insurance Reserve	**1,000**	**1,000**	500
Transit System	**783**	**783**	782
Workers Compensation Reserve	**750**	**750**	1,000
Waterworks System	**674**	**674**	696
Economic Development Winnipeg Reserve	**400**	**400**	-
Winnipeg Parking Authority - Special Operating Agency	**135**	**135**	177
Fleet Management - SOA	**-**	**63**	63
Destination Marketing Reserve	**60**	**60**	60
General Capital Fund	**-**	**52**	47
Heritage Investment Reserve	**-**	**-**	820
Golf Services - Special Operating Agency	**-**	**-**	41
Transfer from Animal services	**-**	**-**	7
	56,788	**48,947**	47,197
Payments-in-lieu of taxes	**32,885**	**32,885**	31,144
Sale of Winnipeg Hydro and other			
Manitoba Hydro	**16,000**	**16,000**	16,000
Accounts payable write-offs, commissions, etc.	**2,468**	**15,263**	1,495
	18,468	**31,263**	17,495

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2014 Budget	2014 Actual	2013 Actual
Investment and other interest			
Dividend - Sewage Disposal System	**11,899**	**11,899**	11,473
Dividend - Waterworks System	**8,113**	**8,089**	7,764
Dividend - Parking	**2,000**	**2,000**	-
Interest capitalized	**1,000**	**2,560**	2,333
Interest earned	**3,001**	**2,493**	2,608
Dividend - Fleet	**1,842**	**1,842**	2,750
Debt charges recovered	**377**	**377**	424
	28,232	**29,260**	27,352
Total Revenues	**$ 969,184**	**$ 979,856**	$ 930,557

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2014 Budget	2014 Actual	2013 Actual
Protection and community services			
Police services	$ **259,113**	$ **256,286**	$ 243,392
Fire paramedic service	**167,801**	**170,471**	172,670
Community services	**122,838**	**119,588**	108,504
Museums	**979**	**979**	979
	550,731	**547,324**	525,545
Public works			
Public works	**187,638**	**212,603**	195,746
Water and waste	**31,110**	**29,044**	31,907
Street lighting	**11,970**	**11,782**	11,357
	230,718	**253,429**	239,010
Finance and administration			
Corporate support services	**33,039**	**31,585**	32,203
Assessment and taxation	**19,623**	**20,647**	17,530
City clerks	**13,465**	**13,231**	10,671
Corporate finance	**9,310**	**7,689**	8,558
Council	**3,499**	**3,363**	3,746
Legal services	**2,715**	**2,667**	2,582
Chief administrative offices	**1,878**	**1,787**	1,814
Mayor's office	**1,903**	**1,654**	1,564
Audit	**957**	**1,546**	894
Policy development and strategic initiatives	**509**	**393**	229
	86,898	**84,562**	79,791
Contribution to Transit System	**47,443**	**47,443**	45,888
Property and development			
Planning, property and development	**40,553**	**42,316**	44,596
Employee benefits and payroll tax			
Provincial payroll tax	**9,289**	**10,190**	9,725
Employee benefits	**4,598**	**6,251**	3,463
	13,887	**16,441**	13,188

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2014 Budget	2014 Actual	2013 Actual
Debt and finance charges			
Transfer to General Capital Fund	**22,334**	**23,480**	35,824
Other interest and finance charges	**2,298**	**61**	150
Transfer to departments	**(23,085)**	**(23,085)**	(34,670)
	1,547	**456**	1,304
Other			
Insurance and damage claims	**3,832**	**3,832**	3,700
Grants and payments to other authorities	**-**	**-**	18
Government affairs, pension contribution and other	**(6,425)**	**(16,671)**	(22,483)
	(2,593)	**(12,839)**	(18,765)
Contribution to			
General Purpose Reserve	**-**	**724**	-
Total Expenses	**$ 969,184**	**$ 979,856**	$ **930,557**

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 3

EXPENSES BY OBJECT

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

	2014 Budget	**2014 Actual**	2013 Actual
Salaries and employee benefits	**$ 533,544**	**$ 545,594**	$ 519,649
Transfers to other Funds	**196,429**	**194,758**	173,824
Services	**132,353**	**154,849**	137,052
Materials, parts and supplies	**39,561**	**38,846**	39,319
Grants and payments			
to other authorities - departmental and corporate	**33,330**	**30,499**	30,875
Debt and finance charges - departmental and corporate	**27,484**	**25,506**	38,172
Municipal tax, amortization and other	**18,084**	**10,797**	11,753
Provincial payroll tax	**9,285**	**10,190**	9,728
Assets - purchases and renovations	**8,862**	**7,518**	6,282
Recoveries	**(29,748)**	**(38,701)**	(36,097)
	$ 969,184	**$ 979,856**	$ 930,557

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 2014 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 2014 with 2013 comparative figures are as follows:

	2014	2013
Provincial education support program levy		
Other property	**$ 100,983,124**	$ 92,318,363
Special levies (by school division)		
Winnipeg	**158,104,106**	153,227,298
Louis Riel	**83,142,211**	78,479,139
Pembina Trails	**82,047,304**	77,164,484
River East - Transcona	**64,187,291**	62,031,512
St. James - Assiniboia	**47,056,492**	45,244,214
Seven Oaks	**39,364,416**	37,508,875
Seine River	**4,328,876**	4,033,709
Interlake	**31,265**	31,439
	478,261,961	457,720,670
	$ 579,245,085	$ 550,039,033
Allocated as follows:		
Realty taxes	**$ 549,162,704**	$ 521,558,454
Payments-in-lieu of taxes	**30,082,381**	28,480,579
	$ 579,245,085	$ 550,039,033

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 5

2014 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

As at April 11, 2014
(unaudited)

	Portion	Taxable	Exempt Subject to Payments-in-Lieu	Exempt	Total
Residential 1	45.0%	$ 21,933,109,802	$ 83,588,085	$ 50,965,763	$ 22,067,663,650
Residential 2	45.0%	2,735,306,249	315,954,900	3,698,415	3,054,959,564
Residential 3	45.0%	1,679,942,250	-	111,150	1,680,053,400
Farm	26.0%	42,256,070	7,122,765	46,817,576	96,196,411
Institutional	65.0%	687,118,098	87,301,500	1,588,111,662	2,362,531,260
Pipelines	50.0%	14,482,500	-	-	14,482,500
Railways	25.0%	63,563,275	-	-	63,563,275
Designated recreational facilities	10.0%	11,599,320	765,700	2,542,610	14,907,630
Other	65.0%	7,747,246,043	834,478,052	1,309,990,141	9,891,714,236
Legislative building	65.0%	-	8,739,349	-	8,739,349
		$ 34,914,623,607	$ 1,337,950,351	$ 3,002,237,317	$ 39,254,811,275

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)

	2014	2013	2012	2011	2010
Internal service operations and other programs:					
Revenues	**$ 7,644**	$ 25,172	$ 6,262	$ 4,429	$ 6,155
Expenditures	**26,006**	4,781	5,203	5,855	3,882
Surplus/(Deficit)	**$ (18,362)**	$ 20,391	$ 1,059	$ (1,426)	$ 2,273

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

STATEMENT OF FINANCIAL POSITION

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

	2014	2013
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 10,605**	$ 28,655
	$ 10,605	$ 28,655
LIABILITIES		
Current		
Accounts Payable	**$ 6**	$ -
Deferred revenue	**3,620**	3,314
	3,626	3,314
RETAINED EQUITY	**6,979**	25,341
	$ 10,605	$ 28,655

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)

	2014	2013
REVENUES		
Permits and fees	**$ 6,157**	$ 4,547
Transfer from Land Operating Reserve	**1,359**	20,569
Sales of goods and services	**47**	55
Total Revenues	**7,563**	25,171
EXPENDITURES		
Transfer to Land Operating Reserve	**21,108**	-
Street cuts operations	**4,233**	3,931
Real estate enterprises	**439**	700
Riverbank management operations	**103**	105
Libraries programs	**42**	45
Total Expenditures (Note 4)	**25,925**	4,781
SURPLUS (DEFICIT) FROM OPERATIONS	**(18,362)**	20,390
RETAINED EQUITY, BEGINNING OF YEAR	**25,341**	4,951
RETAINED EQUITY, END OF YEAR	**$ 6,979**	$ 25,341

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(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*

	2014	2013
Transfers to other Funds	**$ 21,108**	$ -
Goods and services	**4,447**	4,136
Grants	**370**	645
	$ 25,925	$ 4,781

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 2014 budget for the General Capital Fund of $198.5 million was a 12.4% decrease from the 2013 amended budget of $226.5 million. Capital expenditures in 2014 relating to 2014 and previous years capital budgets, decreased from $334.0 million in 2013 to $279.8 million in 2014.

Of the $279.8 million of total capital expenditures, $148.6 million was for Roads and Bridges, $34.9 million was for Water and Waste infrastructure, $26.4 million related to Other Assets, and $20.0 million related to Buildings

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

- Waverley West Arterial Roads Project	$	45.6	million
- Local Streets Renewal program	$	45.5	million
- Regional Streets Renewal program	$	22.8	million
- Developer contributions-in-kind	$	18.5	million
- Polo Park-Infrastructure Improvements	$	14.5	million
- Combined Sewer Flood Relief	$	10.1	million
- Buhler Recreation Park	$	6.1	million
- Portage Ave Bridge at Sturgeon Road	$	3.0	million
- St. James Street Bridge	$	2.0	million

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

FIVE-YEAR REVIEW

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

	2014	2013	2012	2011	2010
Tangible Capital Assets	**$ 3,378,941**	$ 3,221,647	$ 3,015,008	$ 2,653,033	$ 2,474,503
% change in tangible capital assets	**4.88%**	6.85%	13.64%	7.21%	2.63%
Debt					
Net Sinking Fund, serial and installment	**$ 406,859**	$ 253,163	$ 224,011	$ 129,136	$ 137,636
Other long-term debt	**226,703**	223,046	232,408	111,966	43,338
Total long-term debt	**$ 633,562**	$ 476,209	$ 456,419	$ 241,102	$ 180,974
% change in total debt	**33.04%**	4.34%	89.31%	33.22%	(15.47%)
External Debt as a % of Total Debt	**100.00%**	100.00%	100.00%	100.00%	100.00%
Interest Expense					
Internal (1)	**$ -**	$ -	$ -	$ -	$ 28,055
External	**32,381**	30,081	25,267	17,254	20,184
Interest Expense	**$ 32,381**	$ 30,081	$ 25,267	$ 17,254	$ 48,239
% change in external interest expense	**7.65%**	19.05%	46.44%	(14.52%)	(19.54%)
Summary of Cash Flows					
Operating activities	**$ 189,871**	$ 237,256	$ 214,038	$ 210,369	$ 155,785
Long-term debt (retired) issued, net	**$ 130,388**	$ (1,758)	$ 225,611	$ (402,594)	$ 13,791
Payments to The Sinking Fund Trustees, net	**$ 24,962**	$ 33,876	$ (4,892)	$ (4,702)	$ (4,704)
Due from/to General Revenue Fund	**$ (67,714)**	$ 68,520	$ 43,133	$ (23,594)	$ 10,154
Capital acquisitions	**$ (279,819)**	$ (334,055)	$ (479,931)	$ (284,174)	$ (169,951)
Other	**$ 2,312**	$ (3,839)	$ 2,041	$ 504,695	$ (5,075)

(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)

	2014	2013
FINANCIAL ASSETS		
Accounts receivable (Note 4)	**$ 66,038**	$ 42,710
Capital loans receivable (Note 5)	**24,046**	23,360
	90,084	66,070
LIABILITIES		
Due to General Revenue Fund (Note 3)	**29,186**	96,900
Accounts payable and accrued liabilities (Note 6)	**35,195**	35,771
Deferred revenue	**5,797**	13,819
Deferred revenue related to capital assets (Note 7)	**4,349**	10,278
Debt (Note 8)	**633,562**	476,209
Deferred liabilities	**1,694**	1,845
Developer deposits	**9,987**	11,071
	719,770	645,893
NET FINANCIAL LIABILITIES	**(629,686)**	(579,823)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	**3,378,941**	3,221,647
Prepaid expenses	**2,937**	1,700
	3,381,878	3,223,347
ACCUMULATED SURPLUS (Note 10)	**$ 2,752,192**	$ 2,643,524

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)

	2014	2013
REVENUES		
Transfers from other City of Winnipeg Funds (Schedule 2)	**$ 85,918**	$ 60,091
Capital funding recognized (Note 7)	**76,404**	80,385
Transfer from General Revenue Fund		
Debt and finance	**23,480**	35,824
Other	**263**	3,223
Province of Manitoba capital transfer	**76,305**	37,699
Developer contributions-in-kind	**35,310**	67,391
Government of Canada capital transfer	**15,473**	7,626
Developer deposit	**3,819**	579
Interest income	**3,715**	4,892
Other	**4,208**	6,217
	324,895	303,927
EXPENSES		
Amortization	**120,343**	116,453
Grants	**48,075**	22,296
Interest - External debt	**32,381**	30,081
Infrastructure maintenance	**9,087**	12,954
Transfers to other City of Winnipeg Funds (Schedule 2)	**3,920**	13,623
Loss on disposal of tangible capital assets	**1,187**	266
Other	**1,234**	330
	216,227	196,003
NET SURPLUS FOR THE YEAR	**108,668**	107,924
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**2,643,524**	2,535,600
ACCUMULATED SURPLUS, END OF YEAR (Note 10)	**$ 2,752,192**	$ 2,643,524

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)

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 108,668**	$ 107,924
Non-cash charges to operations		
Amortization	**120,343**	116,453
Loss on disposal of tangible capital assets	**1,187**	266
Working capital from operations	**230,198**	224,643
Net change in working capital	**(25,141)**	22,404
Net change in deferred liabilities, deferred revenue and developer deposits	**(15,186)**	(9,791)
	189,871	237,256
FINANCING		
Debt issued	**172,568**	60,000
Debenture debt retired	**(42,180)**	(61,758)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(3,715)**	(4,892)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**24,962**	33,876
Capital loans receivable	**(686)**	(2,208)
Due to General Revenue Fund	**(67,714)**	68,520
Other	**5,718**	(7,436)
	88,953	86,102
INVESTING		
Net purchase of capital assets (Schedule 1)	**(279,819)**	(334,055)
Net proceeds on disposal of tangible capital assets	**995**	10,697
	(278,824)	(323,358)
Cash, end of year	**$ -**	$ -

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. *Significant Accounting Policies*

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

a) Basis of presentation

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

b) Basis of accounting

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

c) Tangible capital assets

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

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

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

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

1. *Significant Accounting Policies (continued)*

d) Deferred revenue

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

e) Contributions of tangible capital assets

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

f) Leases

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

g) Service concession arrangement

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

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

h) Deferred liabilities

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

i) Revenue recognition

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

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

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

1. *Significant Accounting Policies (continued)*

j) Debt and finance charges

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

2. *Status of the General Capital Fund*

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

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

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

4. *Accounts Receivable*

	2014	2013
Province of Manitoba	**$ 44,860**	$ 31,616
Government of Canada	**15,048**	4,911
Local improvements - Fairfield Park	**1,255**	1,358
Other	**4,875**	4,825
	$ 66,038	$ 42,710

5. *Capital Loans Receivable*

At varying maturities up to the year 2034 with a weighted average interest rate for the year 2014 of 5.85% (2013 - 6.08%) due from the following:

	2014	2013
Transit System	**$ 24,021**	$ 23,311
Golf Course Reserve	**25**	49
	$ 24,046	$ 23,360

6. *Accounts Payable and Accrued Liabilities*

	2014	2013
Trade accounts payable	**$ 18,227**	$ 23,627
Contractors' holdbacks	**16,968**	11,402
Accrued debenture interest and principal	**-**	742
	$ 35,195	$ 35,771

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.

	2014	2013
Beginning balance	**$ 10,278**	$ 20,162
Contributions received from:		
General Revenue Fund	**61,143**	59,987
Municipal Accommodations Fund	**9,332**	10,514
	70,475	70,501
Deduct capital funding recognized	**76,404**	80,385
	$ 4,349	$ 10,278

8. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt 2014	2013
1994-2014	Jan. 20	8.000	VQ	6300/94	**$ -**	$ 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
2014-2045	Jun. 1	4.100	WD	144/11, 23/13 and 149/13	**60,000**	-
2014-2045	Jun. 1	3.713	WD	100/12, 23/13 and 149/13	**60,000**	-
2011-2051	Nov. 15	4.300	WC	72/2006, 183/2008, and 150/2009	**20,250**	20,250
2012-2051	Nov. 15	3.853	WC	93/2011	**50,000**	50,000
2012-2051	Nov. 15	3.759	WC	120/2009, 93/2011, and 138/2011	**75,000**	75,000
2012-2051	Nov. 15	4.300	WC	93/2011 and 84/2013	**60,000**	60,000
2012-2051	Nov. 15	3.893	WC	93/2011 and 145/2013	**52,568**	-
					462,818	320,750
Equity in Sinking Fund (Note 8b)					**(79,824)**	(101,071)
Net sinking fund debentures outstanding					**382,994**	219,679

8. *Debt (continued)*

Other long-term debt outstanding

	2014	2013
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.50% (2013 - 4.52%)	**23,865**	33,484
Service concession arrangement obligations (Notes 8c and 11a)	**155,814**	157,344
Capital lease obligations with varying maturities up to 2038 and a weighted average interest rate of 8.18% (2013 - 8.18%) (Note 8d)	**25,474**	26,056
Canada Mortgage and Housing Corporation ("CMHC") term loan, maturity February 1, 2026, interest rate of 3.72%	**8,142**	8,673
Tuxedo Yards development loan with an interest rate of 2.74% (2013 - 2.28%)	**11,473**	11,473
Other long-term debt	**25,800**	19,500
	$ 633,562	$ 476,209

Debt to be retired over the next five years:

	2015	2016	2017	2018	2019	Thereafter
Sinking fund debentures	$ 55,000	$ -	$ 30,000	$ -	$ -	$ 377,818
Serial and installment debt	4,773	4,773	4,773	4,773	4,773	-
Service concession arrangements	1,655	1,790	1,936	2,094	2,264	146,075
Capital lease obligations	630	682	764	878	959	21,561
CMHC	551	571	592	614	637	5,177
Tuxedo Yards	1,540	1,240	1,616	1,992	2,804	2,281
	$ 64,149	$ 9,056	$ 39,681	$ 10,351	$ 11,437	$ 552,912

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 $107.8 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 $6.2 million. As at December 31, 2014, $105.3 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 $107.8 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, 2014, $188.9 million was capitalized for commissioned works (Note 9). 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.

	2014	2013
DBF2 - Chief Peguis Trail	**$ 48,625**	$ 49,120
Plenary Roads Winnipeg GP - Disraeli Bridges	**107,189**	108,224
	$ 155,814	$ 157,344

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

	2015	$ 2,476
	2016	2,476
	2017	2,502
	2018	2,553
	2019	2,563
	thereafter	32,463
Total future minimum lease payments		45,033
Amount representing interest at a weighted average interest rate of 8.18%		(19,559)
Balance of the capital lease obligations		$ 25,474

9. Tangible Capital Assets

	2014	2013
Land	**$ 191,858**	$ 182,228
Buildings	**356,457**	356,740
Vehicles	**179**	230
Computer	**22,611**	22,694
Other	**98,251**	90,075
Plants and facilities	**17,739**	17,560
Roads	**1,161,640**	1,087,413
Underground and other networks	**817,179**	800,048
Bridges and other structures	**473,494**	464,103
Assets under construction	**239,533**	200,556
	$ 3,378,941	$ 3,221,647

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

During the year, there no write-downs of tangible capital assets (2013 - $nil). Administration fees and interim financing charges capitalized during 2014 were $3.3 million (2013 - $2.6 million). In addition, land, roads and underground networks contributed to the City and recorded in the General Capital Fund totalled $35.3 million in 2014 (2013 - $67.4 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $281.1 million (2013 - $286.0 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	$ 182,228	$ 622,852	$ 20,918	$ 108,202	$ 143,389
Add: Additions during the year	10,958	19,963	-	6,091	20,324
Less: Disposals during the year	1,328	268	-	536	-
Balance, end of year	191,858	642,547	20,918	113,757	163,713
Accumulated amortization					
Balance, beginning of year	-	266,112	20,688	85,508	53,314
Add: Amortization	-	20,246	51	6,045	12,148
Less: Accumulated amortization on disposals	-	268	-	407	-
Balance, end of year	-	286,090	20,739	91,146	65,462
Net Book Value of Tangible Capital Assets	$ 191,858	$ 356,457	$ 179	$ 22,611	$ 98,251

Infrastructure					Totals	
Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	**2014**	2013
$ 24,590	$ 2,058,153	$ 1,197,074	$ 673,388	$ 200,556	**$ 5,231,350**	$ 4,910,921
759	127,650	34,181	20,916	38,977	**279,819**	334,055
-	2,247	1,785	-	-	**6,164**	13,626
25,349	2,183,556	1,229,470	694,304	239,533	**5,505,005**	5,231,350
7,030	970,740	397,026	209,285	-	**2,009,703**	1,895,913
580	53,400	16,348	11,525	-	**120,343**	116,453
-	2,224	1,083	-	-	**3,982**	2,663
7,610	1,021,916	412,291	220,810	-	**2,126,064**	2,009,703
$ 17,739	$ 1,161,640	$ 817,179	$ 473,494	$ 239,533	**$ 3,378,941**	$ 3,221,647

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)

	2014	2013
TRANSFERS FROM OTHER CITY OF WINNIPEG FUNDS		
Federal Gas Tax Revenue Reserve	**$ 39,952**	$ 33,710
Sewer System Rehabilitation Reserve	**10,142**	8,842
Municipal Accommodations Fund (Note 7)	**9,197**	5,570
Local Street Renewal Reserve	**8,696**	4,000
Destination Marketing Reserve	**6,715**	4,079
Regional Street Renewal Reserve	**4,433**	-
Land Operating Reserve	**2,327**	2,108
Equipment and Material Services	**2,000**	-
Transit System	**1,349**	1,258
Contributions in Lieu of Land Dedication Reserve	**392**	129
Insurance Reserve	**250**	-
Computer Replacement Reserve	**239**	-
Commitment Reserve	**200**	369
Golf Course Reserve	**26**	26
	$ 85,918	$ 60,091
TRANSFERS TO OTHER CITY OF WINNIPEG FUNDS		
Waterworks System	**$ 1,661**	$ -
Sewage Disposal System	**1,589**	-
General Revenue Fund	**457**	11,108
Land Operating Reserve	**213**	2,515
	$ 3,920	$ 13,623

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 Chief Financial Officer is the Fund Manager.

FIVE-YEAR REVIEW

December 31
(in thousands of dollars)
(unaudited)

	2014	2013	2012	2011	2010
General Revenue Fund's adopted budget expense	**$ 969,184**	$ 922,672	$ 899,961	$ 847,324	$ 817,686
Equity (1)	**$ 81,785**	$ 85,753	$ 80,404	$ 85,305	$ 81,582
Level (2)	**8.4%**	9.3%	8.9%	10.1%	10.0%
Over/(under) target (3)	**$ 4,250**	$ 11,939	$ 8,407	$ 17,519	$ (187)

(1) The 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 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)

	2014	2013
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 81,785**	$ 85,753
EQUITY		
Unallocated	**$ 81,785**	$ 85,753

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)

	2014	2013
Balance, beginning of year	**$ 85,753**	$ 80,404
Add:		
Net realty taxes added to the assessment roll	**6,520**	8,999
Interest earned	**1,415**	1,803
Transfer from Commitment Reserve	**84**	541
	8,019	11,343
Deduct:		
Transfer to General Revenue Fund	**11,740**	5,757
Transfer to General Revenue Fund - investment management fee	**247**	237
	11,987	5,994
Balance, end of year	**$ 81,785**	$ 85,753

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(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 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, 2014 effective interest rate was 0.9% (2013 - 0.9%).


PHOTO: 1x1 architecture inc.

THE CITY OF WINNIPEG
CAPITAL RESERVES

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

Water Main Renewal Reserve Fund

On February 18, 1981, City Council authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established by the transfer of $2.0 million of frontage levy revenue from the Waterworks System Fund. 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 R and No. 2684 R R R, for the North End Water Pollution Control Center, were issued on June 19, 2009, incorporating the City's requested changes. On March 3, 2006, a similar license (No. 2716) was issued for the South End Water Pollution Control Centre. Effective April 18, 2012, the South End Water Pollution Control Centre license (No. 2716RR) was revised in response to the Save Lake Winnipeg Act requirement. This Reserve partially funds capital projects to bring the City in compliance with the license requirements.

The Director of Water and Waste is the Fund Manager.

Brady Landfill Site Rehabilitation Reserve Fund

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

The Director of Water and Waste is the Fund Manager.

Waste Diversion Reserve Fund

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

The Director of Water and Waste is the Fund Manager.

Golf Course Reserve Fund

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

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

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.

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.

On July 16, 2014 City Council authorized that the purpose of the Federal Gas Tax Revenue Reserve be amended to include 18 project categories as listed in Schedule 1 of the most recent Manitoba-City of Winnipeg Municipal Gas Tax Agreement to administer the Canada-Manitoba Administrative Agreement on the Transfer of Federal Gas Tax Revenue. The list of eligible project categories includes local roads and bridges, broadband connectivity, public transit, drinking water, wastewater, solid waste, brownfield redevelopment, sport infrastructure, recreational infrastructure and cultural infrastructure.

The Director of Public Works is the Fund Manager.

Southwest Rapid Transit Corridor - Stage 2 Reserve

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

The Director of Transit is the Fund Manager.

Local Street Renewal Reserve Fund

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

The Director of Public Works is the Fund Manager.

Regional Street Renewal Reserve Fund

The Regional Street Renewal Reserve was established in 2014 to increase investment in regional streets and sidewalks. A separate property tax increase will fund this new reserve each year to ensure a dedicated funding system for regional streets. Use of the Regional Street Renewal Reserve for purposes other than regional streets, lanes, or sidewalk renewals requires approval of 2/3 of City Council.

The Director of Public Works is the Fund Manager.

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW

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

	2014	2013	2012	2011	2010
Water Main Renewal Reserve Fund					
Frontage levy revenue	**$ -**	$ -	$ -	$ -	$ -
Water main renewals funded	**$ 16,314**	$ 12,182	$ 15,274	$ 13,316	$ 11,244
Kilometres of water mains	**2,592**	2,585	2,557	2,531	2,543
Water main repairs	**777**	695	840	571	328
Sewer System Rehabilitation Reserve Fund					
Frontage levy revenue	**$ -**	$ -	$ -	$ -	$ 1,100
Sewer renewals funded	**$ 23,164**	$ 25,653	$ 17,344	$ 14,899	$ 15,854
Kilometres of sewers	**2,583**	2,579	2,549	2,548	2,521
Kilometres of sewers renewed	**0.38**	1.16	1.57	1.15	0.73
Environmental Projects Reserve Fund					
Transfer from Sewage Disposal System	**$ 16,486**	$ 15,986	$ 15,780	$ 13,822	$ 11,993
Transfer to Sewage Disposal System - capital projects	**$ 11,277**	$ 7,991	$ 2,732	$ 7,088	$ 5,088
Brady Landfill Site Rehabilitation Reserve Fund					
Transfer from Solid Waste Disposal	**$ 174**	$ 173	$ 200	$ 189	$ 171
Waste Diversion Reserve					
Transfer from Solid Waste Disposal	**$ 1,000**	$ 1,625	$ -	$ -	$ -
Golf Course Reserve Fund					
Equity	**$ 496**	$ 1,325	$ 1,224	$ 1,185	$ 1,145
Library Reserve Fund					
Transfer from General Revenue Fund	**$ -**	$ -	$ 50	$ -	$ 130
Transit Bus Replacement Reserve Fund					
Transfer from/(to) Transit System, net	**$ 9,521**	$ 451	$ (2,036)	$ 528	$ (3,767)
Number of buses financed	**-**	29	40	28	35

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW (continued)

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

	2014	2013	2012	2011	2010
Computer Replacement Reserve Fund					
Allocation of equity:					
Corporate Support Services	**$ 1,016**	$ 900	$ 1,563	$ 846	$ 285
Community Services	**107**	97	224	226	273
Public Works	**29**	188	187	164	132
Planning, Property and Development	**69**	63	55	92	188
Audit	**-**	-	3	3	10
Corporate Finance	-	-	1	3	2
Chief Administrative Offices	-	-	1	1	1
Mayor's Office	-	-	-	-	-
	$ 1,221	$ 1,248	$ 2,034	$ 1,335	$ 891
Federal Gas Tax Revenue Reserve Fund					
Government of Canada funding	**$ 41,014**	$ 40,452	$ 40,452	$ 40,453	$ 40,452
Transfer to General Capital Fund	**$ 39,952**	$ 33,710	$ 45,614	$ 24,950	$ 26,686
Transfer to Transit System - capital projects	**$ 1,062**	$ 12,926	$ 5,625	$ 3,223	$ 490
Southwest Rapid Transit Corridor - Stage 2 Reserve Fund					
Transfer from/(to) Transit System, net	**$ -**	$ (1,094)	$ (1,329)	$ 3,480	$ 537
Local Street Renewal Reserve Fund					
Transfer from General Revenue Fund	**$ 9,200**	$ 4,500	$ -	$ -	$ -
Transfer to General Capital Fund	**$ 8,211**	$ 4,000	$ -	$ -	$ -
Regional Street Renewal Reserve Fund					
Transfer from General Revenue Fund	**$ 4,700**	$ -	$ -	$ -	$ -
Transfer to General Capital Fund	**$ 4,325**	$ -	$ -	$ -	$ -

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Water Main Renewal Reserve	Sewer System Rehabilitation Reserve	Environmental Projects Reserve	Brady Landfill Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ 3,562	$ 15,328	$ 73,006	$ 1,688
Call loans - General Revenue Fund (Note 4)	-	-	-	62
Accounts receivable	-	-	-	27
	3,562	15,328	73,006	1,777
Investments (Note 5)	-	-	-	3,503
Due from Golf Services - Special Operating Agency (Note 6)	-	-	-	-
	$ 3,562	$ 15,328	$ 73,006	$ 5,280
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Deferred revenue	-	-	-	-
Debt (Note 7)	-	-	-	-
	-	-	-	-
EQUITY				
Allocated	3,562	15,328	73,006	5,280
Unallocated	-	-	-	-
	3,562	15,328	73,006	5,280
	$ 3,562	$ 15,328	$ 73,006	$ 5,280

See accompanying notes to the financial statements

Waste Diversion Reserve		Golf Course Reserve		Library Reserve		Transit Bus Replacement Reserve		Computer Replacement Reserve		Federal Gas Tax Reserve		Sub-total	
$	1,312	$	521	$	-	$	16,766	$	1,221	$	22,568	$	135,972
	-		-		-		-		-		-		62
	-		-		-		-		-		-		27
	1,312		521		-		16,766		1,221		22,568		136,061
	-		-		-		-		-		-		3,503
	-		-		-		-		-		-		-
$	1,312	$	521	$	-	$	16,766	$	1,221	$	22,568	$	139,564
$	-	$	-	$	-	$	-	$	-	$	-	$	-
	-		-		-		-		-		22,440		22,440
	-		25		-		-		-		-		25
	-		25		-		-		-		22,440		22,465
	1,312		-		-		16,547		1,221		-		116,256
	-		496		-		219		-		128		843
	1,312		496		-		16,766		1,221		128		117,099
$	1,312	$	521	$	-	$	16,766	$	1,221	$	22,568	$	139,564

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-total Brought Forward	SWRT Stage 2 Reserve	Local Street Renewal Reserve	Regional Street Renewal Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 135,972**	**$ 8,914**	**$ 1,049**	**$ 249**
Call loans - General Revenue Fund (Note 4)	**62**	**-**	**-**	**-**
Accounts receivable	**27**	**-**	**-**	**-**
	136,061	**8,914**	**1,049**	**249**
Investments (Note 5)	**3,503**	**-**	**-**	**-**
Due from Golf Services - Special Operating Agency (Note 6)	**-**	**-**	**-**	**-**
	$ 139,564	**$ 8,914**	**$ 1,049**	**$ 249**
LIABILITIES				
Accounts payable	**$ -**	**$ -**	**$ 199**	**62**
Deferred revenue	**22,440**	**-**	**-**	**-**
Debt (Note 7)	**25**	**-**	**-**	**-**
	22,465	**-**	**199**	**62**
EQUITY				
Allocated	**116,256**	**5,867**	**850**	**187**
Unallocated	**843**	**3,047**	**-**	**-**
	117,099	**8,914**	**850**	**187**
	$ 139,564	**$ 8,914**	**$ 1,049**	**$ 249**

See accompanying notes to the financial statements

Totals 2014	Totals 2013
$ 146,184	$ 133,207
62	257
27	23
146,273	133,487
3,503	3,176
-	844
$ 149,776	$ 137,507
$ 261	$ 10
22,440	22,900
25	49
22,726	22,959
123,160	105,305
3,890	9,243
127,050	114,548
$ 149,776	$ 137,507

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Water Main Renewal Reserve	Sewer System Rehabilitation Reserve	Environmental Projects Reserve	Brady Landfill Reserve
Balance, beginning of year	**$ 3,787**	**$ 17,821**	**$ 67,338**	**$ 4,959**
Add:				
Government of Canada transfers	**-**	**-**	**-**	**-**
Transfer from Sewage Disposal System	**-**	**20,600**	**16,486**	**-**
Transfer from Waterworks System	**16,000**	**-**	**-**	**-**
Transfer from Transit System	**-**	**-**	**-**	**-**
Interest earned	**130**	**103**	**671**	**167**
Transfer from General Revenue Fund	**-**	**-**	**-**	**-**
Transfer from Solid Waste Disposal	**-**	**-**	**-**	**174**
Transfer from Municipal Accommodations	**-**	**-**	**-**	**-**
Transfer from Golf Services SOA	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
	16,130	**20,703**	**17,157**	**341**
Deduct:				
Transfer to General Capital Fund	**-**	**10,142**	**-**	**-**
Transfer to Transit System	**-**	**-**	**-**	**-**
Transfer to Sewage Disposal System	**-**	**13,022**	**11,277**	**-**
Transfer to Waterworks System	**16,314**	**-**	**-**	**-**
Purchase of equipment	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**41**	**32**	**212**	**20**
Transfer to General Capital Fund - principal and interest	**-**	**-**	**-**	**-**
Transfer to Solid Waste Disposal	**-**	**-**	**-**	**-**
Transfer to Golf Services SOA	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
	16,355	**23,196**	**11,489**	**20**
Balance, end of year	**$ 3,562**	**$ 15,328**	**$ 73,006**	**$ 5,280**

See accompanying notes to the financial statements

Waste Diversion Reserve	Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Computer Replacement Reserve	Federal Gas Tax Reserve	Sub-total
$ 952	$ 1,325	$ -	$ 7,157	$ 1,248	$ 605	$ 105,192
-	-	-	-	-	41,014	41,014
-	-	-	-	-	-	37,086
-	-	-	-	-	-	16,000
-	-	-	5,681	-	-	5,681
7	5	-	128	11	130	1,352
-	-	-	-	440	-	440
1,000	-	-	-	-	-	1,174
-	-	-	-	11	-	11
-	132	-	-	-	-	132
-	-	-	-	-	-	-
1,007	137	-	5,809	462	41,144	102,890
-	26	-	-	-	39,952	50,120
-	-	-	(3,840)	-	1,062	(2,778)
-	-	-	-	-	-	24,299
-	-	-	-	-	-	16,314
-	-		-	485	-	485
2	1	-	40	4	-	352
-	-	-	-	-	-	-
645	-	-	-	-	-	645
-	95	-	-	-	-	95
-	844	-	-	-	607	1,451
647	966	-	(3,800)	489	41,621	90,983
$ 1,312	$ 496	$ -	$ 16,766	$ 1,221	$ 128	$ 117,099

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	SWRT Stage 2 Reserve	Local Street Renewal Reserve	Regional Street Renewal Reserve
Balance, beginning of year	**$ 105,192**	**$ 8,856**	**$ 500**	**$ -**
	-			
Add:	**-**			
Government of Canada transfers	**41,014**	**-**	**-**	**-**
Transfer from Sewage Disposal System	**37,086**	**-**	**-**	**-**
Transfer from Waterworks System	**16,000**	**-**	**-**	**-**
Transfer from Transit System	**5,681**	**-**	**-**	**-**
Interest earned	**1,352**	**84**	**10**	**2**
Transfer from General Revenue Fund	**440**	**-**	**9,200**	**4,700**
Transfer from Solid Waste Disposal	**1,174**	**-**	**-**	**-**
Transfer from Municipal Accommodations	**11**	**-**	**-**	**-**
Transfer from Golf Services SOA	**132**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
	-			
	102,890	**84**	**9,210**	**4,702**
Deduct:				
Transfer to General Capital Fund	**50,120**	**-**	**8,211**	**4,325**
Transfer to Transit System	**(2,778)**	**-**	**-**	**-**
Transfer to Sewage Disposal System	**24,299**	**-**	**-**	**-**
Transfer to Waterworks System	**16,314**	**-**	**-**	**-**
Purchase of equipment	**485**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**352**	**26**	**-**	**-**
Transfer to General Capital Fund - principal and interest	**-**	**-**	**485**	**108**
Transfer to Solid Waste Disposal	**645**	**-**	**-**	**-**
Transfer to Golf Services SOA	**95**	**-**	**-**	**-**
Other	**1,451**	**-**	**164**	**82**
	-			
	90,983	**26**	**8,860**	**4,515**
	-			
Balance, end of year	**$ 117,099**	**$ 8,914**	**$ 850**	**$ 187**

See accompanying notes to the financial statements

Totals 2014	Totals 2013
$ 114,548	$ 114,907
41,014	46,476
37,086	29,686
16,000	15,000
5,681	10,099
1,448	1,474
14,340	5,145
1,174	1,798
11	11
132	67
-	17
116,886	109,773
62,656	46,578
(2,778)	23,668
24,299	24,802
16,314	12,182
485	1,690
378	360
593	-
645	673
95	-
1,697	179
104,384	110,132
$ 127,050	$ 114,548

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. *Significant Accounting Policies*

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

a) Basis of presentation

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

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

b) Basis of accounting

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

c) Investment in bonds

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

d) Bond coupons

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

e) Deferred revenue

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

1. Significant Accounting Policies (continued)

f) Government transfers

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

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

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

2. Status of the Capital Reserves

Water Main Renewal Reserve Fund

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

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

The Director of Water and Waste is the Fund Manager.

Sewer System Rehabilitation Reserve Fund

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

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

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

The Director of Water and Waste is the Fund Manager.

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

Environmental Projects Reserve Fund

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

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

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2014 sewer rate includes a provision of 0.2700 cents (2013 - 0.2600 cents) per cubic meter of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

Brady Landfill Site Rehabilitation Reserve Fund

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

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents (2013 - 50 cents) per tonne for each tonne disposed at the Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

Waste Diversion Reserve Fund

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

The Director of Water and Waste is the Fund Manager.

Golf Course Reserve Fund

City Council, on April 28, 1994, authorized the establishment of a Golf Course Reserve Fund for capital expenses required for the enhancement of the Municipal Golf Courses operated by Golf Services - Special Operating Agency.

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

Library Reserve Fund

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

The Director of Community Services is the Fund Manager.

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

Transit Bus Replacement Reserve Fund

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

The Director of Transit is the Fund Manager.

Computer Replacement Reserve Fund

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

The Director of Corporate Support Services is the Fund Manager.

Federal Gas Tax Revenue Reserve Fund

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

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

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

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

On July 16, 2014 City Council authorized that the purpose of the Federal Gas Tax Revenue Reserve be amended to include 18 project categories as listed in Schedule 1 of the most recent Manitoba-City of Winnipeg Municipal Gas Tax Agreement to administer the Canada-Manitoba Administrative Agreement on the Transfer of Federal Gas Tax Revenue. The list of eligible project categories includes local roads and bridges, broadband connectivity, public transit, drinking water, wastewater, solid waste, brownfield redevelopment, sport infrastructure, recreational infrastructure and cultural infrastructure.

The Director of Public Works is the Fund Manager.

Southwest Rapid Transit Corridor - Stage 2 Reserve

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.

2. Status of the Capital Reserves (continued)

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

The Director of Transit is the Fund Manager.

Local Street Renewal Reserve Fund

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

The Director of Public Works is the Fund Manager.

Regional Street Renewal Reserve Fund

The Regional Street Renewal Reserve was established in 2014 to increase investment in regional streets and sidewalks. A separate property tax increase will fund this new reserve each year to ensure a dedicated funding system for local streets. Use of the Regional Street Renewal Reserve for purposes other than regional streets or sidewalk renewals requires approval of 2/3 of City Council.

The Director of Public Works is the Fund Manager.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2014 effective interest rate was 0.9% (2013 - 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

	2014	2013
Marketable securities		
Provincial bonds and bond coupons	**$ 1,824**	$ 1,496
Municipal bonds	**1,679**	1,680
	$ 3,503	$ 3,176

The aggregate market value of marketable securities at December 31, 2014 was $4,220 thousand (2013 - $3,357 thousand).

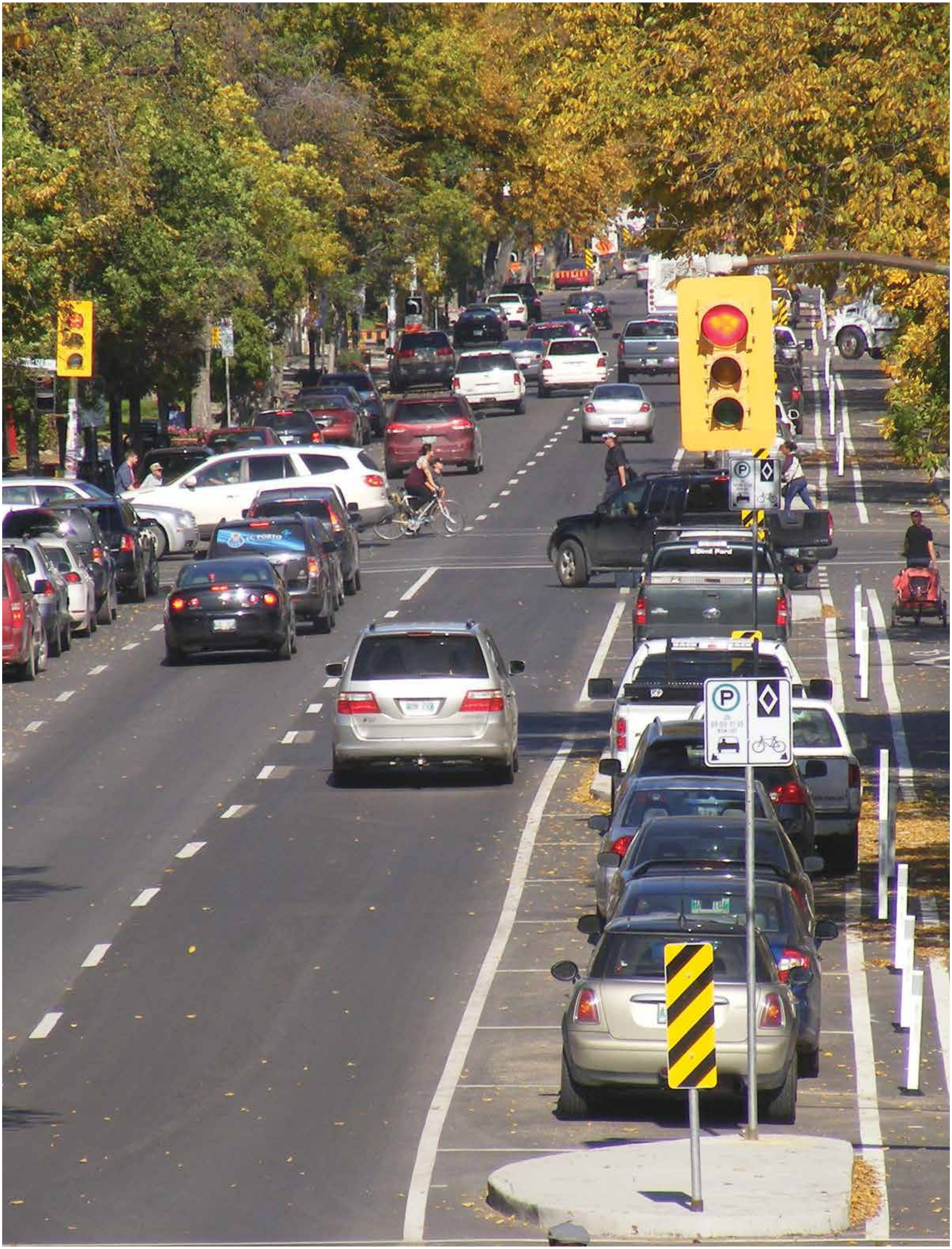
6. Due from Golf Services - Special Operating Agency

	2014	2013
	$ -	$ 844

On December 11, 2013, Council adopted the recommendation that, effective January 1, 2014, the golf course improvement loans totaling $844 thousand be forgiven.

7. Debt

	2014	2013
General Capital Fund debt issued by the City, maturing in 2015 with an interest rate of 4.0%	**$ 25**	$ 49



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.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Insurance Reserve Fund

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

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

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

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

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

Land Operating Reserve Fund

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

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

In accordance with City Council directives, 5% of the gross sales revenue is allocated to the Historical Building Program, 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 and 15% is allocated to the Community Centre Renovation Grant Program annually, subject to Council approval.

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

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

Wading and Outdoor Pool Extended Season Reserve Fund

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

With the adoption of the 2006 tax-supported budget, City Council approved a specific sub-component of the Recreation Programming Reserve dedicated to the annual extension of the regularly scheduled wading pool and outdoor pool season.

With the adoption of the 2013 tax-supported budget City Council approved the Recreation Programming Reserve be renamed the Wading and Outdoor Pool Extended Season Reserve and that the original recreation programming subcomponent of the Recreation Programming Reserve be closed.

The Reserve is funded with annual transfer from the General Revenue Fund with adjustments made during the year depending on the actual cost of the extended season.

With the adoption of the 2014 tax-supported budget City Council approved elimination of water charges to City pools reducing the transfer from the General Revenue Fund to $351,800 (2013 - $490,000).

The Director of Community Services is the Fund Manager.

Snow Clearing Reserve Fund

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

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

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

The Director of Public Works is the Fund Manager.

Commitment Reserve Fund

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

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

The Chief Financial Officer is the Fund Manager.

Heritage Investment Reserve Fund

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

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

Housing Rehabilitation Investment Reserve Fund

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

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

Economic Development Investment Reserve Fund

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

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

General Purpose Reserve Fund

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

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

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

The Chief Financial Officer 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)

	2014	2013	2012	2011	2010
Workers Compensation Reserve Fund					
Call loans - General					
Revenue Fund	**$ 1,133**	$ 2,633	$ 3,367	$ 2,882	$ 2,758
Investments	**$ 4,052**	$ 2,083	$ 1,000	$ 999	$ -
Interest earned	**$ 66**	$ 55	$ 47	$ 27	$ 18
Brookside Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	**$ 237**	$ 468	$ 470	$ 426	$ 1,263
Investments	**$ 14,590**	$ 13,848	$ 13,344	$ 12,340	$ 11,193
Interest earned	**$ 624**	$ 618	$ 612	$ 606	$ 741
St. Vital Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	**$ 69**	$ 40	$ 5	$ 136	$ 100
Investments	**$ 800**	$ 799	$ 799	$ 649	$ 635
Interest earned	**$ 36**	$ 36	$ 34	$ 52	$ 29
Transcona Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	**$ 43**	$ 25	$ 5	$ 88	$ 95
Investments	**$ 565**	$ 564	$ 563	$ 464	$ 423
Interest earned	**$ 25**	$ 25	$ 25	$ 37	$ 19
Insurance Reserve Fund					
Call loans - General					
Revenue Fund	**$ 2,328**	$ 4,841	$ 5,603	$ 4,103	$ 2,527
Investments	**$ 5,064**	$ 3,124	$ 1,000	$ 999	$ 926
Interest earned	**$ 94**	$ 74	$ 59	$ 39	$ 65
Contributions in Lieu of Land Dedication Reserve Fund					
Cash dedications revenue	**$ 3,464**	$ 1,108	$ 752	$ 707	$ 289
Interest earned	**$ 64**	$ 47	$ 46	$ 45	$ 27
Park improvement expenses	**$ 1,363**	$ 827	$ 432	$ 416	$ 858
Land Operating Reserve Fund					
Number of properties sold	**47**	27	47	37	70
Number acquired - tax sale	**5**	10	2	4	-
Number exchanged	**1**	-	1	-	2
Wading and Outdoor Pool Extended Season Reserve Fund					
Transfer from					
General Revenue Fund	**$ 352**	$ 536	$ 279	$ 490	$ 330
Total expenses	**$ 291**	$ 543	$ 550	$ 271	$ 338
Number approved					
Programs/Projects	**-**	-	-	4	11

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

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

	2014	2013	2012	2011	2010
Snow Clearing Reserve Fund					
Transfer (to)/from					
General Revenue Fund	**$ -**	$ -	$ -	$ -	$ -
Commitment Reserve Fund					
Allocation of equity:					
Corporate and other	**$ 171**	$ 950	$ 3,308	$ 961	$ 355
Planning, Property and Development	**499**	46	494	-	-
Community Services	**22**	347	441	128	414
Police Service	**2,467**	700	205	882	-
Corporate Support Services	**-**	296	150	-	-
Fire Paramedic Services	**246**	648	-	239	300
Public Works	**334**	1,106	-	135	-
Assessment and Taxation	**-**	-	-	-	-
	$ 3,739	$ 4,093	$ 4,598	$ 2,345	$ 1,069
Heritage Investment Reserve Fund					
Municipal realty tax revenue	**$ 646**	$ 983	$ 1,095	$ 1,199	$ 1,031
Housing Rehabilitation Investment Reserve Fund					
Grant expense	**$ 8,730**	$ 8,914	$ 852	$ 919	$ 808
Economic Development Investment Reserve Fund					
Municipal realty tax revenue	**$ 2,003**	$ 210	$ 648	$ 263	$ 87
General Purpose Reserve Fund					
Net transfer from (to) General Revenue Fund	**$ (2,279)**	$ (12,500)	$ 5,158	$ 1,700	$ (5,283)
Net transfer from (to) General Capital Fund	**$ -**	$ (275)	$ (370)	$ 2,106	$ (1,700)
Grants	**$ -**	$ -	$ -	$ -	$ -
Interest earned	**$ 17**	$ 85	$ 102	$ 63	$ 69
Multiple-Family Dwelling Tax Investment Reserve Fund					
Municipal realty tax revenue	**$ -**	$ 2,081	$ 2,198	$ 2,259	$ 1,793
Interest earned	**$ 61**	$ 67	$ 51	$ 38	$ 14
Insect Control Urgent Expenditures Reserve Fund					
Net transfer from (to) General Revenue Fund	**$ (1,008)**	$ 436	$ 153	$ 2,323	$ 112

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

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

	2014	2013	2012	2011 #	2009
Permit Reserve Fund					
Net transfer (to) from					
General Revenue Fund	**$ (1,000)**	$ (13)	$ (30)	$ (769)	$ 1,686
Destination Marketing Reserve Fund					
Accommodation tax revenue	**$ 7,855**	$ 7,451	$ 7,684	$ 7,585	$ 7,053
Grants expense:					
Economic Development Winnipeg Inc.	**$ 2,560**	$ 2,619	$ 2,989	$ 2,606	$ 2,638
The Convention Centre Corporation Inc.		1,924	2,155	2,415	1,500
	$ 2,560	$ 4,543	$ 5,144	$ 5,021	$ 4,138

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)	1,133	237	69	1,439
Accounts receivable	32	111	11	154
Land held for resale	-	-	-	-
	1,165	348	80	1,593
Investments (Note 5)	4,052	14,590	800	19,442
Investment in government business (Note 6)	-	-	-	-
Deferred charges	-	-	-	-
	$ 5,217	$ 14,938	$ 880	$ 21,035
LIABILITIES				
Current				
Accounts payable	$ -	$ -	$ -	$ -
Deferred Revenue	-	-	-	-
Due to Winnipeg Parking Authority - SOA	-	-	-	-
	-	-	-	-
EQUITY				
Contributed surplus (Note 7)	-	-	-	-
Allocated	-	-	-	-
Unallocated	5,217	14,938	880	21,035
	5,217	14,938	880	21,035
	$ 5,217	$ 14,938	$ 880	$ 21,035

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)	$ -	$ -	$ (2,185)	$ 7,127
Call loans - General Revenue Fund (Note 4)	1,439	43	2,328	-
Accounts receivable	154	7	37	-
Land held for resale	-	-	-	-
	1,593	50	180	7,127
Investments (Note 5)	19,442	565	5,064	-
Investment in government business (Note 6)	-	-	-	-
Deferred charges	-	-	-	-
	$ 21,035	$ 615	$ 5,244	$ 7,127
LIABILITIES				
Current				
Accounts payable	$ -	$ -	$ -	$ 12
Deferred Revenue	-	-	-	-
Due to Winnipeg Parking Authority - SOA	-	-	-	-
	-	-	-	12
EQUITY				
Contributed surplus (Note 7)	-	-	-	-
Allocated	-	-	-	-
Unallocated	21,035	615	5,244	7,115
	21,035	615	5,244	7,115
	$ 21,035	$ 615	$ 5,244	$ 7,127

See accompanying notes to the financial statements

Land Operating Reserve	Wading & Outdoor Pool Extended Season Reserve	Snow Clearing Reserve	Commitment Reserve	Heritage Investment Reserve	Housing Rehabilitation Reserve	Sub-Total
$ 15,022	$ 63	$ -	$ 3,739	$ 78	$ 857	$ 24,701
-	-	-	-	-	-	3,810
6,722	-	-	-	226	1,377	8,523
16,219	-	-	-	-	-	16,219
37,963	63	-	3,739	304	2,234	53,253
7,253	-	-	-	-	-	32,324
10,021	-	-	-	-	-	10,021
75	-	-	-	-	-	75
$ 55,312	$ 63	$ -	$ 3,739	$ 304	$ 2,234	$ 95,673
$ 5,553	$ -	$ -	$ -	$ -	$ 76	$ 5,641
-	-	-	-	-		-
10,000	-	-	-	-	-	10,000
15,553	-	-	-	-	76	15,641
8,425	-	-	-	-	-	8,425
28,886	-	-	-	-	-	28,886
2,448	63	-	3,739	304	2,158	42,721
31,334	63	-	3,739	304	2,158	71,607
$ 55,312	$ 63	$ -	$ 3,739	$ 304	$ 2,234	$ 95,673

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)	$ 24,701	$ 3,920	937	5,536
Call loans - General Revenue Fund (Note 4)	3,810	-	-	-
Accounts receivable	8,523	-	-	-
Land held for resale	16,219	-	-	-
	53,253	3,920	937	5,536
Investments (Note 5)	32,324	-	-	-
Investment in government business (Note 6)	10,021	-	-	-
Deferred charges	75	-	-	-
	$ 95,673	$ 3,920	$ 937	$ 5,536
LIABILITIES				
Current				
Accounts payable	$ 5,641	$ 223	$ -	$ -
Deferred Revenue	-	-	-	-
Due to Winnipeg Parking Authority - SOA	10,000	-	-	-
	15,641	223	-	-
EQUITY				
Contributed surplus (Note 7)	8,425	-	-	-
Allocated	28,886	-	-	-
Unallocated	42,721	3,697	937	5,536
	71,607	3,697	937	5,536
	$ 95,673	$ 3,920	$ 937	$ 5,536

See accompanying notes to the financial statements

Insect Control Reserve	Permit Reserve	Destination Marketing Reserve	Totals 2014	Totals 2013
2,003	1,014	7,673	$ 45,784	$ 49,406
-	-	-	3,810	8,007
-	-	540	9,063	11,709
-	-	-	16,219	14,689
2,003	1,014	8,213	74,876	83,811
-	-	-	32,324	20,772
-	-	-	10,021	11,704
-	-	-	75	58
$ 2,003	$ 1,014	$ 8,213	$ 117,296	$ 116,345
$ -	$ -	$ 177	$ 6,041	$ 17,950
-	-	-	-	2,106
-	-	-	10,000	10,000
-	-	177	16,041	30,056
-	-	-	8,425	8,425
-	-	8,036	36,922	11,566
2,003	1,014		55,908	66,298
2,003	1,014	8,036	92,830	77,864
$ 2,003	$ 1,014	$ 8,213	$ 117,296	$ 116,345

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Transcona Cemetery Reserve
Balance, beginning of year	**$ 4,726**	**$ 14,430**	**$ 850**	**$ 596**
Add:				
Transfer from General Revenue Fund		**85**	**19**	**13**
Other (Note 6)	**1,518**	**160**		
Accommodation tax				
Land sales				
Municipal realty tax				
Interest earned	**66**	**624**	**36**	**25**
Cash payments-in-lieu of land dedication				
Transfer from General Purpose Reserve				
Transfer from Waterworks System Fund				
Transfer from Transit System Fund				
Transfer from Land Operating Reserve				
Transfer from General Capital Fund				
Transfer from General Revenue Enterprise Fund				
Transfer from Solid Waste Disposal Fund				
Transfer from Sewage Disposal System Fund				
Transfer from Winnipeg Parking - SOA				
Transfer from Animal Services - SOA				
	1,584	**869**	**55**	**38**
Deduct:				
Transfer to General Revenue Fund	**750**	**311**	**17**	**12**
Grants				
Transfer to General Capital Fund				
Other	**322**			
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	**21**	**50**	**8**	**7**
Transfer to Financial Stabilization Reserve				
Transfer to Fleet Management - SOA				
Transfer to Golf Services - SOA				
Transfer to Transit				
Transfer to Heritage Reserve	**-**	**-**	**-**	**-**
	1,093	**361**	**25**	**19**
Balance, end of year	**$ 5,217**	**$ 14,938**	**$ 880**	**$ 615**

See accompanying notes to the financial statements

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Insurance Reserve	Land Dedication Reserve	Land Operating Reserve	Wading & Outdoor Pool Extended Season Reserve	Snow Clearing Reserve	Sub-Total
$ 7,980	$ 5,049	$ 7,072	$ -	$ -	$ 40,703
532			352		1,001
		5,983			7,661
					-
		24,787			24,787
					-
94	64	110	2		1,021
	3,464				3,464
					-
74					74
99					99
	93				93
		213			213
		21,108			21,108
15					15
113					113
					-
					-
927	3,621	52,201	354	-	59,649
1,000		11,935			14,025
	147	25			172
250		2,327			2,577
(436)	1,363	4,291	188		5,728
		7,882			7,882
		1,359			1,359
2,513			102		2,615
		93			93
28	20	27	1		162
					-
23					23
4	25				29
281					281
-	-	-	-	-	-
3,663	1,555	27,939	291	-	34,946
$ 5,244	$ 7,115	$ 31,334	$ 63	$ -	$ 65,406

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	$ 40,703	$ 4,093	$ 823	$ 3,125
Add:				
Transfer from General Revenue Fund	1,001	3,382		1,000
Other	7,661			6,769
Accommodation tax	-			
Land sales	24,787			
Municipal realty tax	-		646	
Interest earned	1,021		12	42
Cash payments-in-lieu of land dedication	3,464			
Transfer from General Purpose Reserve	-			
Transfer from Waterworks System Fund	74			
Transfer from Transit System Fund	99			
Transfer from Land Operating Reserve	93			
Transfer from General Capital Fund	213			
Transfer from General Revenue Enterprises Fund	21,108			
Transfer from Solid Waste Disposal Fund	15			
Transfer from Sewage Disposal System Fund	113			
Transfer from Winnipeg Parking - SOA	-			
Transfer from Animal Services - SOA	-			
	59,649	3,382	658	7,811
Deduct:				
Transfer to General Revenue Fund	14,025	-	127	1,196
Grants	172		-	7,534
Transfer to General Capital Fund	2,577	200		
Other	5,728	3,452	1,049	35
Cost of sales	7,882			
Transfer to General Revenue Enterprises	1,359			
Transfer to Municipal Accommodations Fund	2,615			
Transfer to Contributions in Lieu of Land Dedication Reserve	93			
Transfer to General Revenue Fund - investment management fee	162		1	13
Transfer to Financial Stabilization Reserve	-	84		
Transfer to Fleet Management - SOA	23			
Transfer to Golf Services - SOA	29			
Transfer to Transit	281			
Transfer to Heritage Reserve	-	-	-	-
	34,946	3,736	1,177	8,778
Balance, end of year	$ 65,406	$ 3,739	$ 304	$ 2,158

See accompanying notes to the financial statements

Economic Development Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Insect Control Reserve	Permit Reserve	Sub-Total
$ 2,341	$ 3,204	$ 7,006	$ 3,000	$ 2,001	$ 66,296
	724		692		6,799
		167			14,597
					-
					24,787
2,003					2,649
35	14	61	16	19	1,220
					3,464
					-
					74
					99
					93
					213
					21,108
					15
					113
					-
					-
2,038	738	228	708	19	75,231
400	3,000	-	1,700	1,000	21,448
271	-	1,678	-	-	9,655
					2,777
		1			10,265
					7,882
					1,359
					2,615
					93
11	5	19	5	6	222
					84
					23
					29
					281
0 -	-	-	-	-	-
682	3,005	1,698	1,705	1,006	56,733
$ 3,697	$ 937	$ 5,536	$ 2,003	$ 1,014	$ 84,794

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 2014
Balance, beginning of year	$ 66,296	$ 11,568	$ 77,864
Add:			
Transfer from General Revenue Fund	6,799		6,799
Other	14,597		14,597
Accommodation tax	-	7,855	7,855
Land sales	24,787		24,787
Municipal realty tax	2,649		2,649
Interest earned	1,220	79	1,299
Cash payments-in-lieu of land dedication	3,464		3,464
Transfer from General Purpose Reserve	-		-
Transfer from Waterworks System Fund	74		74
Transfer from Transit System Fund	99		99
Transfer from Land Operating Reserve	93		93
Transfer from General Capital Fund	213		213
Transfer from General Revenue Enterprises Fund	21,108		21,108
Transfer from Solid Waste Disposal Fund	15		15
Transfer from Sewage Disposal System Fund	113		113
Transfer from Winnipeg Parking - SOA	-		-
Transfer from Animal Services - SOA	-		-
	75,231	7,934	83,165
Deduct:			
Transfer to General Revenue Fund	21,448	60	21,508
Grants	9,655	4,437	14,092
Transfer to General Capital Fund	2,777	6,715	9,492
Other	10,265	229	10,494
Cost of sales	7,882	-	7,882
Transfer to General Revenue Enterprises	1,359	-	1,359
Transfer to Municipal Accommodations Fund	2,615	-	2,615
Transfer to Contributions in Lieu of Land Dedication Reserve	93	-	93
Transfer to General Revenue Fund - investment management fee	222	25	247
Transfer to Financial Stabilization Reserve	84	-	84
Transfer to Fleet Management - SOA	23	-	23
Transfer to Golf Services - SOA	29	-	29
Transfer to Transit	281	-	281
Transfer to Heritage Reserve	-	-	-
	56,733	11,466	68,199
Balance, end of year	$ 84,794	$ 8,036	$ 92,830

See accompanying notes to the financial statements

	Totals 2013
$	90,219
	8,867
	12,266
	7,451
	39,182
	3,274
	1,492
	1,108
	275
	193
	-
	95
	2,515
	-
	15
	831
	1
	-
	77,565
	24,398
	26,779
	6,685
	7,471
	2,207
	20,569
	440
	95
	287
	541
	80
	8
	85
	275
	89,920
$	77,864

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(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
Wading and Outdoor Pool Extended Season Reserve Fund
Snow Clearing Reserve Fund
Commitment Reserve Fund
Heritage Investment Reserve Fund
Housing Rehabilitation Investment Reserve Fund
Economic Development Investment Reserve Fund
General Purpose Reserve Fund
Multi-Family Dwelling Tax Investment Reserve Fund
Insect Control Urgent Expenditures Reserve Fund
Permit Reserve Fund
Destination Marketing Reserve Fund

b) Basis of accounting

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

c) Land held for resale

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

d) Investment in bonds

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

e) Bond coupons

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

1. *Significant Accounting Policies (continued)*

f) Investment in government business

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

2. *Status of the Special Purpose Reserves*

Workers Compensation Reserve Fund

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

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

The Corporate Controller is the Fund Manager.

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

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

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

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

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

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

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

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

Insurance Reserve Fund

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

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

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

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

Land Operating Reserve Fund

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

In accordance with City Council directives, 5% of the gross sales revenue is allocated to the Historical Building Program, 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 and 15% is allocated to the Community Centre Renovation Grant Program annually, subject to Council approval.

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

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

Wading and Outdoor Pool Extended Season Reserve Fund

With the adoption of the 2006 tax-supported budget, City Council approved a specific sub-component of the Recreation Programming Reserve dedicated to the annual extension of the regularly scheduled wading pool and outdoor pool season.

With the adoption of the 2013 tax-supported budget City Council approved the Recreation Programming Reserve be renamed the Wading and Outdoor Extended Season Reserve and that the original recreation programming subcomponent of the Recreation Programming Reserve be closed. The annual transfer from the General Revenue Fund is budgeted at $351,800 (2013 - $490,000) with adjustments made during the year depending on the actual cost of the extended season.

The Director of Community Services is the Fund Manager.

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

Snow Clearing Reserve Fund

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

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

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

The Director of Public Works is the Fund Manager.

Commitment Reserve Fund

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

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

The Chief Financial Officer is the Fund Manager.

Heritage Investment Reserve Fund

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

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

Housing Rehabilitation Investment Reserve Fund

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

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

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

Economic Development Investment Reserve Fund

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

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

General Purpose Reserve Fund

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

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

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

The Chief Financial Officer is the Fund Manager.

Multiple-Family Dwelling Tax Investment Reserve Fund

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

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

Insect Control Urgent Expenditures Reserve Fund

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

The Director of Public Works is the Fund Manager.

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

Permit Reserve Fund

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

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

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

Destination Marketing Reserve Fund

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

Guidelines established for the Reserve include the following:

- A grant to Economic Development Winnipeg Inc. equal to the greater of $2.0 million or 30% of annual accommodation tax revenue;
- A grant of $1.5 million annually to The Winnipeg Convention Centre Corporation;
- Up to 40% of the annual accommodation tax revenue, to a maximum of the estimated annual payments required to service the amount of future debt that will be allocated to the City's portion of construction costs relating to a planned expansion at the Winnipeg Convention Centre, to be set aside within the Reserve. Dispositions from the Reserve for this purpose require approval of City Council;
- Expenses incurred in the General Revenue Fund to administer the accommodation tax will be transferred to the Reserve; and
- Commencing in 2013 the Destination Marketing Reserve Fund is paying an additional grant to the Winnipeg Convention Centre for debt servicing. This grant will be paid for 2013, 2014 and 2015.
- The remainder of the funds, net of the above, paid to Economic Development Winnipeg Inc. for the Special Event Marketing Fund. If yearly contributions to the Special Event Marketing Fund exceeds $1.0 million, any excess above this amount will be paid to Economic Development Winnipeg Inc. in the form of an additional grant. Dispositions from the Destination Marketing Reserve fund for this purpose will require the approval of the Fund Manager.

The Chief Financial Officer is the Fund Manager.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2014 effective interest rate was 0.9% (2013 - 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*

	2014	2013
Marketable securities		
Provincial bonds and bond coupons	**$ 4,389**	$ 2,195
Municipal bonds	**20,682**	18,223
	25,071	20,418
Other	**7,253**	354
	$ 32,324	$ 20,772

The aggregate market value of marketable securities at December 31, 2014 was $27,399 thousand (2013 - $20,517 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 2014 of $2,400 thousand (2013 - $4,090 thousand) are included in the Statement of Changes in Equity as other revenue.

7. *Contributed Surplus*

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

THE CITY OF WINNIPEG
TRUST FUNDS

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

	Library Trust	**Portage and Main Concourse Trust**	**2014 Totals**	2013 Totals
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 272,177**	**$ 1,681**	**$ 273,858**	$ 282,516
EQUITY				
Unallocated	**$ 272,177**	**$ 1,681**	**$ 273,858**	$ 282,516

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

STATEMENT OF CHANGES IN TRUST ACCOUNTS

For the years ended December 31
(unaudited)

	Library Trust	**Portage and Main Concourse Trust**	**2014 Totals**	2013 Totals
Opening balance	**$ 280,851**	**$ 1,665**	**$ 282,516**	$ 360,271
Add:				
Contributions	**231,831**	**-**	**231,831**	226,304
Interest earned	**2,928**	**16**	**2,944**	2,867
	234,759	**16**	**234,775**	229,171
Deduct:				
Disbursements	**243,433**	**-**	**243,433**	306,926
Closing balance	**$ 272,177**	**$ 1,681**	**$ 273,858**	$ 282,516

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(unaudited)

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

2. Status of The City of Winnipeg Trust Funds

Library Trust

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

Portage and Main Concourse Trust

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

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2014 effective interest rate was 0.9% (2013 - 0.9%).

PHOTO: Cindy Hasler

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF FINANCIAL POSITION

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

	2014	2013
ASSETS		
Current		
Due from General Revenue Fund (Note 2)	**$ 132**	$ 2,119
Investment (Note 3)	**1,148**	1,148
	$ 1,280	$ 3,267
RETAINED EARNINGS	**$ 1,280**	$ 3,267

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF NET EARNINGS AND RETAINED EARNINGS

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

	2014	2013
REVENUES		
Interest	**$ 13**	$ 20
EXPENDITURES		
Transfer to General Capital Fund	**2,000**	-
Net earnings for the year	**(1,987)**	20
RETAINED EARNINGS, BEGINNING OF YEAR	**3,267**	3,247
RETAINED EARNINGS, END OF YEAR	**$ 1,280**	$ 3,267

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(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, 2014 effective interest rate was 0.9% (2013 - 0.9%).

3. Investment

	2014	2013
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 Special Operating Agencies' facilities.

FIVE-YEAR REVIEW

As at December 31
(unaudited)

	2014	2013	2012	2011	2010
Number of facilities	**134**	129	128	129	131
Total area square footage	**3,333,251**	2,440,067	2,456,441	2,455,171	2,471,474

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

STATEMENT OF FINANCIAL POSITION

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

		2014		2013
ASSETS				
Current				
Cash	**$**	**-**	$	30
Due from General Revenue Fund (Note 3)		**7,029**		1,584
Accounts receivable (Note 4)		**477**		137
Inventories		**22**		22
Prepaid expenses		**736**		711
	$	**8,264**	**$**	2,484
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 5)	**$**	**8,135**	$	2,457
Deferred revenue		**129**		27
	$	**8,264**	$	2,484

Commitments (Note 6)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

STATEMENT OF OPERATIONS

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

	2014 Budget	2014 Actual	2013 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 8b)	**$ 75,420**	**$ 70,351**	$ 64,672
Other rental	**3,619**	**3,601**	43
Investment and other	**285**	**645**	377
Total Revenues	**79,324**	**74,597**	65,092
EXPENSES			
Municipal Accommodations	**50,111**	**52,994**	47,350
Transfer to General Capital Fund	**17,581**	**17,863**	16,084
Transfer to General Revenue Fund	**11,632**	**3,740**	1,658
Total Expenses (Note 9)	**79,324**	**74,597**	65,092
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(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 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, and environmental costs which are recorded when payment is incurred.

c) Inventory

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

d) 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.

e) Debt and finance charges

Municipal Accommodations Fund's 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 Municipal Accommodations Fund with the interest expense recorded in the General Capital Fund.

1. *Significant Accounting Policies (continued)*

f) 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.

2. *Status of the Municipal Accommodations Fund*

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

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

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

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this Fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2014 effective interest rate was 0.9% (2013 - 0.9%).

4. *Accounts receivable*

	2014	2013
Maintenance billings and other	**$ 808**	$ 370
Allowance for doubtful accounts	**(331)**	(233)
	$ 477	$ 137

5. *Accounts Payable and Accrued Liabilities*

	2014	2013
Accounts payable and accrued liabilities	**$ 5,907**	$ 351
Accrued interest on long-term debt	**1,086**	1,187
Performance deposits	**645**	603
Wages and employee benefits payable	**345**	49
Accrued debenture principle	**152**	267
	$ 8,135	$ 2,457

6. *Commitments*

Lease commitments

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

2015	$ 8,149
2016	7,451
2017	7,096
2018	6,788
2019	5,352
Subsequent	75,923
	$ 110,759

7. *Employee Benefits*

a) Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excludidng resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2014 at $1.6 million (2013 - $1.9 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, 2014 is estimated at $920 thousand (2013 - $606 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, 2014 is estimated at $1.4 million (2013 - $1.3 million).

d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2014 is estimated at $694 thousand (2013 - $654 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 $1.5 million (2013 - $1.3 million) of pension costs were allocated to Civic Accommodations. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2013 and has disclosed an actuarial surplus.

8. Contributions and Appropriations from Related Parties

a) Included in Municipal Accommodations Fund expenses are:
- Transfer to The City of Winnipeg Fleet Management - Special Operating Agency for insurance, manufacturing services, and rental on vehicles and equipment owned/leased by the Agency is $923 thousand (2013 - $876 thousand).
- Transfer from the Insurance Reserve Fund for recovery of insurance claims is $328 thousand (2013 - $186 thousand);
- Transfer to the Computer Replacement Reserve Fund is $11 thousand (2013 - $11 thousand);
- Transfer to the General Revenue Fund for general government charges is $608 thousand (2013 - $606 thousand), which represents the estimated share of The City of Winnipeg's general expenses applicable to the Municipal Accommodations Fund; and
- Transfer to the City of Winnipeg Parking Authority - Special Operating Agency for parking space rental is $7 thousand (2013 - $1 thousand).

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

	2014	2013
General Revenue Fund	**$ 63,629**	$ 60,240
Insurance Reserve Fund	**2,185**	-
Sewage Disposal System	**1,266**	1,232
Waterworks System	**1,060**	1,055
Fleet Management - Special Operating Agency	**744**	488
Municipal Accommodations Fund	**590**	583
Transit System	**252**	269
Animal Services - Special Operating Agency	**212**	211
Solid Waste Disposal Fund	**174**	203
Winnipeg Parking Authority - Special Operating Agency	**137**	137
Wading and Outdoor Pool Extended Season Reserve Fund	**102**	254
	$ 70,351	$ 64,672

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

9. Expenses by Object

	2014 Budget	**2014 Actual**	2013 Actual
Services, materials and supplies	**$ 32,243**	**$ 35,886**	$ 31,013
Salaries and employee benefits	**18,527**	**18,585**	17,453
Transfer to General Capital Fund	**17,581**	**17,863**	16,084
Transfer to General Revenue Fund	**11,632**	**3,740**	1,658
Other grants and transfers	**1,224**	**1,929**	1,142
Debt and finance charges	**703**	**800**	233
Recoveries	**(2,586)**	**(4,206)**	(2,491)
	$ 79,324	**$ 74,597**	$ 65,092

10. 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 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.

2 0 1 4   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 $1.6 million from 2013, a 2.1 % increase. Revenue passengers for 2014 numbered over 49.8 million, a 0.6% increase from 2013. This is the twelfth 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 $37.9 million was provided to Winnipeg's transit system. This is $4.4 million more than the previous year. The Province of Manitoba's capital grant commitment was $5.7 million, decreasing by $4.3 million from the previous year.

For purposes of funding capital investments, funds transferred to the Transit System included $1.1 million from the Federal Gas Tax Reserve. No buses from the 2013 or 2014 orders were delivered in 2014 and therefore there was no transfer from the Bus Replacement Reserve. $3.8 million was transferred from the Transit System to the Bus Replacement Reserve from the 2012 bus purchase due to Provincial funding being applied to the 2012 bus order.

The appropriation from the General Revenue Fund increased by $1.6 million from the previous year, a component of the net increase in revenues of $2.2 million. The major contributor to the net increase in revenues is the provincial operating grant, followed by fare revenue. Operating expenses increased by $8.7 million from the previous year. The majority of this increase was due to the impact of contractual agreements on salaries and wages, and increased costs for fuel and bus parts.

Handi-transit's demand decreased from 2013 by .3%. Costs were higher than the previous year by $0.5 million mainly due to increased contractor rates.

Several achievements were realized during the year, including:

- Stage 2 of the Southwest Transitway was merged with Public Works' Pembina Highway Underpass Project to form the Capital Integration Project, the largest infrastructure project in the City's history. It will be built as a public-private partnership (P3) using a design-build-finance-(operate)-maintain model.

- The request for qualification (RFQ) for the Capital Integration Project was issued in September 2014.

- The functional design study for Stage 2 of the Southwest Rapid Transitway was completed.

- A contract was awarded to New Flyer Industries Canada ULC for the supply and delivery of 58 Xcelsior clean diesel air conditioned buses to be delivered in 2015.

- Articulated buses were introduced into service on routes 36, 54, 58, and 59.

- A four year trial of battery-powered electric buses in regular Transit service began in November 2014.

- The new Transit bus parking and servicing garage at 600 Brandon Avenue, which can hold up to 153 buses, was commissioned and placed into full service in February 2014.

- The vehicle maintenance facility at Transit's Fort Rouge Garage was upgraded and expanded with the addition of an electronics repair lab and articulated bus maintenance service.

- The platforms at forty bus stops were upgraded to improve accessibility.

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)

	2014	2013	2012	2011	2010
Financial Position					
Tangible capital assets	**$ 297,602**	$ 312,213	$ 291,368	$ 270,709	$ 216,871
Total assets	**$ 320,291**	$ 328,034	$ 308,566	$ 303,610	$ 259,965
Debt	**$ 109,531**	$ 111,184	$ 112,260	$ 115,056	$ 87,737
Total liabilities	**$ 120,888**	$ 117,305	$ 117,460	$ 130,611	$ 97,153
Operations					
Passenger revenue	**$ 78,091**	$ 76,482	$ 72,672	$ 69,946	$ 65,592
- in relation to total revenue	**46.28%**	45.93%	45.22%	46.31%	45.62%
Appropriation from General Revenue Fund	**$ 47,444**	$ 45,888	$ 46,279	$ 44,172	$ 43,200
- in relation to total revenue	**28.12%**	27.56%	28.79%	29.24%	30.04%
Provincial operating transfers	**$ 37,854**	$ 33,534	$ 33,164	$ 30,819	$ 27,877
Operations expenses	**$ 70,816**	$ 68,683	$ 65,268	$ 60,920	$ 60,730
Plant and equipment expenses	**$ 54,530**	$ 48,372	$ 44,453	$ 43,425	$ 38,429
Total expenses	**$ 156,109**	$ 147,434	$ 140,895	$ 133,290	$ 126,707
Cash Flows					
Operating activities	**$ 13,025**	$ 39,171	$ 27,348	$ 32,172	$ 38,039
Debt issued, net	**$ 398**	$ 1,459	$ (165)	$ 29,553	$ 60,324
Payments to The Sinking Fund Trustees, net	**$ (1,613)**	$ (1,764)	$ (1,764)	$ (1,486)	$ (559)
Capital expenses	**$ (6,167)**	$ (40,180)	$ (38,521)	$ (69,108)	$ (68,835)
Financial Statistics and Selected Ratios					
Regular cash fare, end of year	**$ 2.55**	$ 2.50	$ 2.45	$ 2.40	$ 2.35
Handi-transit -					
Annual ridership (in thousands)	**465.7**	467.2	481.2	508.6	511.1
Total cost per passenger	**$ 23.17**	$ 22.09	$ 21.11	$ 19.29	$ 17.95
Revenue to cost ratio	**8%**	10%	10%	12%	12%
Regular transit -					
Annual ridership (in millions)	**49.9**	49.6	48.9	47.4	45.2
Bus hours operated (in thousands)	**1,525**	1,518	1,477	1,424	1,412
Direct operating cost per passenger	**$ 2.78**	$ 2.62	$ 2.52	$ 2.47	$ 2.47
Direct operating cost per vehicle hour	**$ 90.95**	$ 85.67	$ 83.37	$ 82.14	$ 78.98
Revenue to cost ratio	**59%**	62%	61%	62%	62%
Municipal operating cost per capita	**$ 47.56**	$ 48.84	$ 48.64	$ 52.62	$ 51.64

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2014	2013
FINANCIAL ASSETS		
Cash	**$ 115**	$ 302
Accounts receivable (Note 3)	**4,667**	3,466
Due from General Revenue Fund (Note 4)	**12,215**	6,823
	16,997	10,591
LIABILITIES		
Accounts payable and accrued liabilities	**4,948**	6,121
Deferred Revenue	**6,409**	-
Debt (Note 5)	**109,531**	111,184
	120,888	117,305
NET FINANCIAL LIABILITIES	**(103,891)**	(106,714)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**297,602**	312,213
Inventory (Note 7)	**4,823**	4,437
Prepaid expenses	**869**	793
	303,294	317,443
ACCUMULATED SURPLUS (Note 8)	**$ 199,403**	210,729

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)

	2014 Budget	**2014 Actual**	2013 Actual
REVENUES			
System generated (Note 9)	**$ 83,237**	**$ 81,194**	$ 80,882
Appropriation from General Revenue Fund	**47,443**	**47,443**	45,888
Provincial Government transfers (Note 10)	**40,259**	**39,542**	35,141
Appropriation from Rapid Transit Infrastructure Reserve	**-**	**-**	3,603
Interest and other	**758**	**542**	995
Total revenues from operations	**171,697**	**168,721**	166,509
EXPENSES			
Operations (Note 11)	**74,233**	**70,816**	68,683
Plant and equipment (Note 12)	**52,716**	**54,530**	48,372
Other departmental (Note 13)	**13,739**	**12,453**	12,520
Handi-transit	**10,646**	**10,388**	9,927
Finance and administration	**3,943**	**2,437**	2,710
Planning, schedules and marketing	**2,325**	**1,960**	1,943
Information systems	**1,522**	**1,449**	1,410
Customer services	**1,290**	**1,448**	1,208
Human resources	**731**	**628**	661
Total expenses from operations (Note 14)	**161,145**	**156,109**	147,434
Surplus for the year from operations	**10,552**	**12,612**	19,075
Net surplus from capital (Note 15)	**(10,552)**	**(23,938)**	548
NET SURPLUS (DEFICIT) FOR THE YEAR	**-**	**(11,326)**	19,623
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**-**	**210,729**	191,106
ACCUMULATED SURPLUS, END OF YEAR	**$ -**	**$ 199,403**	$ 210,729

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)

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ (11,326)**	$ 19,623
Non-cash items related to operations		
Amortization	**20,606**	19,325
Loss/(Gain) on disposal of tangible capital assets	**172**	(46)
Working capital from operations	**9,452**	38,902
Net change in other working capital	**3,573**	269
	13,025	39,171
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")	**(438)**	(771)
Debt issued	**2,440**	3,972
Payments on other debt	**(2,042)**	(2,513)
Payments to The Sinking Fund Trustees for outstanding debt	**(1,613)**	(1,764)
Due from General Revenue Fund	**(5,392)**	2,238
	(7,045)	1,162
INVESTING		
Acquisition and construction of tangible capital assets	**(6,167)**	(40,180)
Proceeds on disposal of tangible capital assets	**-**	56
	(6,167)	(40,124)
Increase in cash	**(187)**	209
Cash, beginning of year	**302**	93
Cash, end of year	**$ 115**	$ 302

See accompanying notes and schedule to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. *Significant Accounting Policies*

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

Basis of accounting

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

Vacation credits, compensated absences, retirement allowance, workers compensation claims, and insurance claims which are accounted for on a cash basis.

a) Inventory

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

b) Tangible capital assets

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

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

Capital work in progress is not amortized until the asset is available for productive use.

c) Government transfers

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

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

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

1. *Significant Accounting Policies (continued)*

d) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant areas requiring the use of estimates include determination of useful lives of tangible capital assets, allowance for doubtful accounts receivable, obsolete inventory and employee benefits. Actual results could differ from those estimates.

2. *Status of the Transit System*

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

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

3. *Accounts Receivable*

	2014	2013
Province of Manitoba	**2,754**	566
Advertising rights, charter and other	**$ 1,913**	$ 2,900
	$ 4,667	$ 3,466

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, 2014 effective interest rate was 0.9% (2013- 0.9%).

5. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2014**	Amount of Debt 2013
1994-2014	Jan. 20	8.000	VQ	6300/94		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
					96,750	103,250
Funds on deposit with the Sinking Funds (Note 5b)					**(11,615)**	(16,064)
Net sinking fund debentures outstanding					**85,135**	87,186

Other debt outstanding

	2014	2013
Serial debentures issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.03% (2013 - 4.15%)	**375**	686
General Capital Fund debt issued by the City with varying maturities up to 2034 and a weighted average interest rate of 5.85% (2013 - 6.08%)	**24,021**	23,312
	$ 109,531	$ 111,184

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

	2015	2016	2017	2018	2019	Thereafter
Sinking fund debentures	$ 7,000	$ -	$ -	$ -	$ -	$ 89,750
Serial debentures	75	75	75	75	75	-
General Capital Fund debt	1,826	2,186	2,295	2,391	2,378	12,945
	$ 8,901	$ 2,261	$ 2,370	$ 2,466	$ 2,453	$ 102,695

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 (2013 - $1.3 million) paid to the General Capital Fund.

d) Cash paid for interest during the year was $5.3 million (2013 - $5.8 million).

6. *Tangible Capital Assets*

	Net Book Value	
	2014	2013
Vehicles	**$ 105,507**	$ 116,419
Buildings	**29,463**	6,173
Land improvements	**11,158**	12,874
Land	**14,255**	14,066
Roads, bridges and tunnels	**115,027**	118,415
Other	**18,789**	21,007
Assets under construction	**3,403**	23,259
	$ 297,602	$ 312,213

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

7. *Inventory*

	2014	2013
Stores	**$ 4,790**	$ 4,394
Tickets, passes and other	**33**	43
	$ 4,823	$ 4,437

8. *Accumulated Surplus*

	2014	2013
Appropriated	**$ 5,973**	$ 6,972
Unappropriated	**7,448**	4,763
Total accumulated surplus	**13,421**	11,735
Invested in tangible capital assets	**185,982**	198,994
	$ 199,403	$ 210,729

9. *System Generated*

	2014 Budget	**2014 Actual**	2013 Actual
Passenger	**$ 80,527**	**$ 78,091**	$ 76,482
Advertising rights	**1,774**	**1,720**	2,247
Charter and other	**936**	**1,383**	2,153
	$ 83,237	**$ 81,194**	$ 80,882

10. *Provincial Government Transfers*

The Provincial Government provided transfers of $37.8 million (2013 - $33.5 million) towards the operation of the Transit System, $1.7 million (2013 - $1.6 million) as a Local Government Support Transfer and $5.7 million (2013 - $10.0 million) as a Capital Transfer.

11. *Operations*

	2014 Budget	2014 Actual	2013 Actual
Bus operators	**$ 68,434**	**$ 64,529**	$ 62,647
Inspectors	**2,562**	**3,000**	2,670
Operations administration	**2,027**	**2,000**	1,922
Instruction	**1,210**	**1,287**	1,444
	$ 74,233	**$ 70,816**	$ 68,683

12. *Plant and Equipment*

	2014 Budget	2014 Actual	2013 Actual
Bus servicing	**$ 22,684**	**$ 23,223**	$ 21,419
Vehicle maintenance and overhaul	**19,677**	**21,193**	18,035
Facilities maintenance	**6,962**	**6,519**	5,614
Maintenance administration	**3,393**	**3,595**	3,304
	$ 52,716	**$ 54,530**	$ 48,372

13. *Other Departmental*

	2014 Budget	2014 Actual	2013 Actual
Interest and finance charges	**$ 7,527**	**$ 6,467**	$ 6,892
Taxes	**2,596**	**2,528**	2,231
Insurance and claims	**1,488**	**1,477**	1,363
General government charges and other	**1,290**	**1,262**	1,310
Employee benefits	**838**	**719**	724
	$ 13,739	**$ 12,453**	$ 12,520

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, 2014 is estimated at $5.5 million (2013 - $5.2 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2014 at $6.4 million (2013 - $6.9 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2014 at $5.8 million (2013 - $2.0 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 $4.3 million (2013 - $3.6 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, $7.5 million (2013 - $6.8 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, 2013 and has an actuarial surplus.

b) General government charges

Included in general government charges and other is $785 thousand (2013 - $781 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 $252 thousand (2013 - $269 thousand) that has been charged by the Municipal Accommodations Fund for the rental of office space.

d) Property and business taxes

Realty and business taxes represent full taxes paid to The City of Winnipeg. Taxes are assessed on property as if it were privately owned. During 2014, realty and business taxes paid to the General Revenue Fund was $773 thousand (2013 - $543 thousand).

e) Insurance

Included in expenses is a credit of $182 thousand (2013 - credit of $85 thousand) that has been recovered from the Insurance Reserve.

f) 311 and business technology services

Included in expenses is $783 thousand (2013 - $782 thousand) that has been charged by the General Revenue Fund for services provided by the Corporate Support Services department.

14. Expenses by Object

	2014 Budget	**2014 Actual**	2013 Actual
Salaries and wages	**$ 83,805**	**$ 80,748**	$ 77,289
Materials and supplies	**28,796**	**31,155**	27,363
Employee benefits	**18,284**	**16,980**	15,970
Services	**16,981**	**15,987**	15,153
Interest on debt	**7,458**	**6,404**	6,877
Taxes - municipal and payroll	**2,596**	**2,528**	2,231
Other	**2,691**	**1,682**	1,925
Insurance and transfer to Insurance Reserve	**1,697**	**1,449**	1,436
Recoveries	**(1,163)**	**(824)**	(810)
	$ 161,145	**$ 156,109**	$ 147,434

15. Net Surplus from Capital

	2014 Budget	2014 Actual	2013 Actual
Revenues			
Province of Manitoba capital transfers (Note 10)	$ -	$ 5,733	$ 9,962
Transfer from Federal Gas Tax Reserve	-	1,062	12,926
Transfer from Transit Bus Replacement Reserve	-	(3,840)	7,139
Gain on disposal of tangible capital assets	-	-	46
	-	2,955	30,073
Expenses			
Amortization	4,872	20,606	19,325
Transfer to Transit Bus Replacement Reserve	5,680	5,681	7,590
Work in process costs expensed in year	-	434	101
Cost of assets sold	-	172	-
Transfer to SW Rapid Transit Corridor St 2 Reserve	-	-	2,509
	10,552	26,893	29,525
	$ (10,552)	$ (23,938)	$ 548

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	$ 212,939	$ 15,706	$ 25,125
Add: Additions during the year	879	23,977	298
Less: Disposals during the year	(765)	(29)	-
Balance, end of year	213,053	39,654	25,423
Accumulated amortization			
Balance, beginning of year	(96,520)	(9,533)	(12,251)
Add: Amortization	(11,623)	(683)	(2,014)
Less: Accumulated amortization on disposal	597	25	-
Balance, end of year	(107,546)	(10,191)	(14,265)
Net Book Value of Tangible Capital Assets	$ 105,507	$ 29,463	$ 11,158

Land	Roads, Bridges, and Tunnels	Other	Assets Under Construction	2014	2013
$ 14,066	$ 126,422	$ 31,819	$ 23,259	**$ 449,336**	$ 414,473
189	50	630	(19,856)	**6,167**	40,180
-	-	-	-	**(794)**	(5,317)
14,255	126,472	32,449	3,403	**454,709**	449,336
-	(8,007)	(10,812)	-	**(137,123)**	(123,105)
-	(3,438)	(2,848)	-	**(20,606)**	(19,325)
-	-	-	-	**622**	5,307
-	(11,445)	(13,660)	-	**(157,107)**	(137,123)
$ 14,255	$ 115,027	$ 18,789	$ 3,403	**$ 297,602**	$ 312,213

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 as required by our Public Water System Operating License.

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 $8.1 million in 2014 (2013 - $7.8 million).

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2014	2013	2012 #	2011	2010
Block 1 rate in dollars (per cu. metre)	**$ 1.42**	$ 1.39	$ 1.35	$ 1.34	$ 1.29
Annual water pumped (million litres)	**76,831**	74,374	83,927	79,975	75,031
Water pumped in litres per capita per day	**297**	285	328	316	301
Average daily water pumped (million litres per day)	**211**	204	229	219	206
Maximum day water pumping rates (million litres per day)	**261**	260	312	291	247
Maximum hour water pumping rates (million litres per day)	**375**	369	479	468	361
Kilometres of aqueduct	**174.5**	174.5	174.5	174.5	174.5
Kilometres of feeder mains	**149.9**	149.9	149.9	148.3	149.6
Kilometres of water mains	**2,592.3**	2,584.7	2,557.0	2,531.0	2,543.2
Number of hydrants	**21,692**	21,335	21,101	21,031	20,698
Number of billed services	**201,565**	199,626	197,651	195,939	194,600

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2014	2013
ASSETS		
Current		
Cash	**$ 4**	$ 4
Accounts receivable (Note 3)	**19,092**	19,646
Due from General Revenue Fund (Note 4)	**7,799**	25,350
Inventories	**1,443**	1,313
Prepaid expenses	**7**	75
	28,345	46,388
Tangible capital assets (Note 5)	**903,826**	887,566
Deferred charges (Note 6)	**2,034**	2,127
	$ 934,205	$ 936,081
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	**$ 6,564**	$ 6,065
Current portion of long-term debt (Note 8)	**3,793**	4,330
	10,357	10,395
Long-term debt (Note 8)	**137,810**	143,493
	148,167	153,888
ACCUMULATED SURPLUS (Note 9)	**786,038**	782,193
	$ 934,205	$ 936,081

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)

	2014 Budget	2014 Actual	2013 Actual
REVENUES (Schedule 1)			
Sale of goods and services (Note 10)	**$ 101,811**	**$ 98,109**	$ 96,205
Government transfers, permits and other	**1,960**	**1,955**	1,805
Interest	**2,331**	**2,197**	2,812
Total revenues	**106,102**	**102,261**	100,822
EXPENSES (Schedules 2 and 3)			
Water distribution	**42,905**	**49,809**	41,338
Taxes, employee benefits and other (Note 11)	**6,764**	**11,325**	5,803
Debt and finance	**17,069**	**10,840**	11,886
Engineering services	**3,734**	**3,478**	3,370
Finance and administration	**3,909**	**3,411**	3,354
Information systems and technology	**2,371**	**2,138**	2,286
Environmental standards	**1,463**	**1,277**	1,262
Customer services	**1,327**	**1,197**	1,172
Human resources	**909**	**928**	940
Total expenses from operations	**80,451**	**84,403**	71,411
Surplus for the year from operations	**25,651**	**17,858**	29,411
Transfers to other funds (Note 12)	**16,000**	**16,000**	15,000
Net surplus from operations after transfers to other funds	**9,651**	**1,858**	14,411
Net surplus from capital (Schedule 4)	**-**	**10,076**	3,126
NET SURPLUS FOR THE YEAR	**$ 9,651**	**11,934**	17,537
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**782,193**	772,420
CITY OF WINNIPEG - GENERAL REVENUE FUND UTILITY DIVIDEND PAYMENT		**(8,089)**	(7,764)
ACCUMULATED SURPLUS, END OF YEAR		**$ 786,038**	$ 782,193

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)

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 11,934**	$ 17,537
Non-cash items related to operations		
Amortization	**21,621**	21,009
Loss on disposal of tangible capital assets	**284**	17
Amortization of debenture discount	**93**	93
Working capital from operations	**33,932**	38,656
Change in net working capital other than cash	**455**	(3,467)
	34,387	35,189
FINANCING		
Due from General Revenue Fund	**17,551**	16,037
Debt retired	**342**	(194)
Utility dividend payment	**(8,089)**	(7,764)
Payments to sinking fund	**(3,985)**	(4,136)
Interest on sinking fund	**(2,041)**	(2,382)
	3,778	1,561
INVESTING		
Purchase of tangible capital assets	**(38,165)**	(36,766)
Decrease in cash	**-**	(16)
Cash, beginning of year	**4**	20
Cash, end of year	**$ 4**	$ 4

See accompanying notes and schedules to the financial statements

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

1. *Significant Accounting Policies*

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

Basis of accounting

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

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
Information systems	5 to 10 years
Bridges and structures	25 to 30 years
Water and sewage plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

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

b) Contributions of tangible capital assets

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

c) Government transfers

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

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

1. Significant Accounting Policies (continued)

estimates of the amounts can be determined.

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

d) 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.

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

	2014	2013
Water billings and other	**$ 19,492**	$ 20,046
Allowance for doubtful accounts	**(400)**	(400)
	$ 19,092	$ 19,646

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, 2014 effective interest rate was 0.9% (2013 - 0.9%).

5. Tangible Capital Assets

	Net Book Value 2014	Net Book Value 2013
Land	**$ 1,824**	$ 1,824
Buildings	**3,559**	3,590
Machinery and equipment	**1,139**	858
Computer	**8,676**	9,894
Underground networks	**565,103**	541,515
Road and bridges	**599**	606
Water pumping stations and reservoirs	**318,527**	323,248
Assets under construction	**4,399**	6,031
	$ 903,826	$ 887,566

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

During 2014 and 2013 there were no write-downs of tangible capital assets and interim financing charges capitalized during 2014 were $66 thousand (2013 - $196 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totaled $13.8 million in 2014 (2013 - $12.0 million) and were capitalized at their fair value at the time of receipt.

6. Deferred Charges

	2014	2013
Deferred debenture discount	**$ 2,034**	$ 2,127

7. Accounts Payable and Accrued Liabilities

	2014	2013
Accrued debenture interest	**$ 4,113**	$ 4,580
Trade accounts payable	**1,094**	400
Other accrued liabilities	**837**	610
Deferred revenue and other	**520**	475
	$ 6,564	$ 6,065

8. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2014**	2013
1994-2014	Jan. 20	8.000	VQ	6300/94	**-**	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
					185,000	198,000
Equity in Sinking Funds (Note 8b)					**(45,942)**	(52,916)
Net sinking fund debentures outstanding					**139,058**	145,084

Other long-term debt outstanding

	2014	2013
Canada Mortgage and Housing Corporation ("CMHC") debt, maturity in 2025, interest rate of 3.35%	**2,545**	2,739
	141,603	147,823
Current portion of long-term debt	**(3,793)**	(4,330)
	$ 137,810	$ 143,493

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

	2015	2016	2017	2018	2019	Thereafter
Sinking fund debentures	$ 25,000	$ -	$ -	$ -	$ -	$ 160,000
CMHC	201	207	214	222	229	1,472
	$ 25,201	$ 207	$ 214	$ 222	$ 229	$ 161,472

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 $10.7 million (2013 - $11.8 million).

9. Accumulated Surplus

		2014		2013
Invested in tangible capital assets	**$**	**762,223**	$	739,744
Retained earnings		**31,904**		50,213
Utility dividend payment		**(8,089)**		(7,764)
	$	**786,038**	$	782,193

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, 2014 the block 1 water rate was $1.42 per hundred cubic metres (2013 - $1.39).

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 2014, taxes paid to the General Revenue Fund was $2.6 million (2013 - $2.3 million).

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2014 is $2.9 million (2013 - $2.8 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2014 is estimated at $1.5 million (2013 - $1.3 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, 2014 at $1.9 million (2013 - $1.1 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2014 at $3.5 million (2013 - $4.1 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $3.3 million (2013 - $3.0 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, 2013 and has disclosed an actuarial surplus.

11. Taxes, Employee Benefits and Other (continued)

General government charges

Included in expenses is $1.1 million (2013 - $988 thousand) in general government service charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure. The actual business technology service charges applicable to the Waterworks System for 2014 are captured under Transfers.

Rent

Included in expenses is $1.1 million (2013 - $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 $74 thousand (2013 - $193 thousand) charged by the City of Winnipeg Insurance Reserve.

12. Transfers to Other Funds

The Waterworks System transfers to other funds are as follows:

	2014	2013
Transfer to Water Main Renewal Reserve	**$ 16,000**	$ 15,000

13. Related Party Transactions

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

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 1

REVENUES

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

	2014 Budget	2014 Actual	2013 Actual
Sale of goods and services			
Water sales	**$ 101,414**	**$ 97,909**	$ 95,847
Fire hydrant and other rentals	**352**	**138**	281
Sale of scrap material	**45**	**62**	77
	101,811	**98,109**	96,205
Government transfers, permits and other			
Permits and fees	**991**	**880**	943
Provincial support transfer	**765**	**734**	705
Other	**204**	**341**	157
	1,960	**1,955**	1,805
Interest			
Sinking Fund earnings	**2,041**	**2,041**	2,382
Interest	**230**	**90**	234
Interest capitalized	**60**	**66**	196
	2,331	**2,197**	2,812
Total Revenues	**$ 106,102**	**$ 102,261**	$ 100,822

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2014 Budget	2014 Actual	2013 Actual
Water treatment and distribution			
Water treatment plant	$ 17,979	$ 17,494	$ 16,019
Water main maintenance	8,576	15,823	9,779
Service pipe maintenance	4,033	5,983	4,946
Emergency services	1,874	1,913	1,755
Hydrant maintenance	2,398	1,885	1,823
Railway maintenance and operations	2,127	1,772	1,643
General administration	2,170	1,714	2,159
Water meter maintenance	1,171	1,155	1,126
Valve maintenance	904	862	677
Intake operation	557	571	476
Stores - 552 Plinguet	379	432	293
Mechanical/civil/electrical maintenance allocation	656	183	600
Meter shop	81	22	42
	42,905	49,809	41,338
Taxes, employee benefits and other			
Other services	243	4,879	165
Property taxes	2,992	2,976	2,758
Employee benefits	680	1,075	930
Rent	1,058	1,073	1,045
General government charges	1,055	1,055	896
Provincial payroll tax	820	787	712
Insurance and damage claims	516	578	601
Recoveries	(600)	(1,098)	(1,304)
	6,764	11,325	5,803
Debt and finance			
Long-term debt			
Interest	10,756	10,747	11,794
Finance charges	93	93	92
Amortization	6,220	-	-
	17,069	10,840	11,886

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2014 Budget	2014 Actual	2013 Actual
Engineering services division			
Water planning	**1,424**	**1,206**	899
Administration	**729**	**562**	592
Design and construction	**577**	**534**	538
Drafting and graphics	**642**	**533**	547
Customer technical services	**433**	**329**	376
Asset management	**(249)**	**171**	265
Services development	**178**	**143**	153
	3,734	**3,478**	3,370
Finance and administration division			
Customer billing	**2,283**	**2,258**	2,194
Accounting services	**408**	**380**	357
Financial planning	**405**	**371**	230
Process improvement	**341**	**159**	151
Knowledge management	**215**	**128**	145
Administrative services	**256**	**115**	268
Landfill billing	**1**	**-**	9
	3,909	**3,411**	3,354
Information systems and technology division			
Support services	**932**	**866**	921
Major systems	**897**	**670**	746
Planning and design	**542**	**602**	619
	2,371	**2,138**	2,286
Environmental standards division			
Analytical services	**815**	**780**	724
Compliance	**337**	**287**	277
Administration	**311**	**210**	261
	1,463	**1,277**	1,262
Customer services division			
Customer relations	**984**	**853**	843
Administration	**250**	**250**	246
Communications	**93**	**94**	83
	1,327	**1,197**	1,172

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2014 Budget	2014 Actual	2013 Actual
Human resources division			
Human resources	**365**	**425**	449
Human resources training	**207**	**174**	168
Timekeeping and payroll	**183**	**171**	196
Work place health and safety	**154**	**158**	127
	909	**928**	940
Total Expenses from Operations	**80,451**	**84,403**	71,411
Transfers to other funds (Note 12)			
Transfer to Water Main Renewal Reserve	**16,000**	**16,000**	15,000
Total transfers to other funds	**16,000**	**16,000**	15,000
Total Expenses	**$ 96,451**	**$ 100,403**	$ 86,411

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2014 Budget	**2014 Actual**	2013 Actual
Goods and services	**$ 33,051**	**$ 41,603**	$ 33,466
Salaries	**37,519**	**36,666**	32,580
Transfers	**17,079**	**17,079**	16,099
Interest on long-term debt	**10,756**	**10,747**	11,791
Employee benefits	**7,091**	**7,159**	6,547
Other expenses	**5,386**	**6,148**	5,084
Finance charges	**198**	**235**	95
Grants	**185**	**155**	120
Amortization/sinking fund	**6,220**	**-**	-
Recoveries	**(21,034)**	**(19,389)**	(19,371)
Total Expenses	**$ 96,451**	**$ 100,403**	$ 86,411

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2014 Actual	2013 Actual
Revenues		
Transfers		
Water Main Renewal Reserve	**$ 16,314**	$ 12,182
General Capital Fund	**1,649**	-
Sewage Disposal System	**457**	83
	18,420	12,265
Developer contributions-in-kind	**13,758**	12,011
Total revenue from capital	**32,178**	24,276
Expenses		
Amortization	**21,621**	21,009
Other expenses	**296**	110
Loss on disposal of tangible capital assets	**184**	17
Transfer to Sewage Disposal System	**1**	14
Total expenses from capital	**22,102**	21,150
Net surplus from capital	**$ 10,076**	$ 3,126

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General			
	Land	Buildings	Machinery and Equipment	Computer
Cost				
Balance, beginning of year	$ 1,824	$ 5,678	$ 9,934	$ 38,587
Add: Additions during the year	-	74	396	604
Less: Disposals during the year	-	-	-	-
Balance, end of year	1,824	5,752	10,330	39,191
Accumulated amortization				
Balance, beginning of year	-	2,088	9,076	28,693
Add: Amortization	-	105	115	1,822
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	-	2,193	9,191	30,515
Net Book Value of Tangible Capital Assets	$ 1,824	$ 3,559	$ 1,139	$ 8,676

	Infrastructure				Totals	
	Underground Networks	Roads and Bridges	Water Pumping Stations and Reservoirs	Assets Under Construction	**2014**	2013
	$ 781,659	$ 616	$ 405,975	$ 6,031	**$ 1,250,304**	$ 1,215,963
	35,573	14	3,136	(1,632)	**38,165**	36,766
	(1,316)	-	(100)		**(1,416)**	(2,425)
	815,916	630	409,011	4,399	**1,287,053**	1,250,304
	240,144	10	82,727	-	**362,738**	344,137
	11,801	21	7,757	-	**21,621**	21,009
	(1,132)				**(1,132)**	
		-	-	-	**-**	(2,408)
	250,813	31	90,484	-	**383,227**	362,738
	$ 565,103	$ 599	$ 318,527	$ 4,399	**$ 903,826**	$ 887,566

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

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

The objective of the Sewage Disposal System is to protect public health, and the aquatic environment through adequate collection and treatment of sewage generated in Winnipeg as well as hauled liquid waste received from Winnipeg and surrounding communities. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three sewage treatment plants, biosolids disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund, Utility Dividend and transfers to the Environmental Projects Reserve and Sewer System Rehabilitation Reserve.

An Environmental Projects Reserve Fund was authorized by City Council on December 17, 1993. It was established to fund environmental projects to protect river quality. River quality is under the jurisdiction of the Province of Manitoba. In 2003, the Clean Environment Commission (CEC) conducted public hearings to review and receive comments on the City's sewage collection and treatment improvement program, and made several recommendations to upgrade and improve the sewage collection and treatment systems. In response Manitoba Conservation issued Environment Act Licences to the City for the North End Sewage Treatment Plant, West End Sewage Treatment Plant and South End Sewage Treatment Plant. (NEWPCC, WEWPCC, SEWPCC) The Licences stipulate effluent parameters that require upgrades to the sewage treatment plants. The Licences require effluent disinfection, nutrient removal, centrate treatment, combined sewer overflow mitigation, and solids management to be in compliance with the Environment Act. Based on preliminary assessments the upgrade program is estimated to cost between $1.2 to $1.8 billion depending on market factors and interpretation of 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.

An engineering assignment for the SEWPCC nutrient removal upgrade was awarded in April 2013. Construction is to be completed by December 31, 2015 as per the current licence. Engineering design efforts for the NEWPCC nutrient reduction and recovery, including biosolids handling, were initiated in 2011 and will adhere to the Water Protection Act, which is a provincial act that stipulates biological nutrient removal requirements.

City Council approved The Utility Dividend Policy on March 22, 2011. The policy states the utility will pay an annual dividend to the City of Winnipeg based on 8% of budgeted gross sales for the current year. The dividend policy is to be reviewed every four years within three months of each new term of City Council. The Sewage Disposal System dividend was $11.9 million in 2014 (2013 - $11.5 million).

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2014	2013	2012	2011	2010
Rate in dollars (per cubic meter)	**$ 2.21**	$ 2.15	$ 2.10	$ 1.97	$ 1.91
Annual sewage received (million litres)*	**101,750**	89,423	90,685	104,784	114,941
Daily sewage received (million litres)*	**278.8**	245.0	247.8	290.4	314.9
Kilometres of interceptor sewers	**120.0**	119.4	118.7	120.8	120.8
Kilometres of combined sewers **	**1,026.7**	1,037.0	1,039.1	1,041.7	1,040.5
Kilometres of wastewater sewers	**1,436.4**	1,423.0	1,391.0	1,376.4	1,359.6
Kilometres of storm sewers	**1,365.0**	1,359.8	1,326.1	1,307.9	1,850.0
Number of lift stations	**74**	74	74	74	73
Number of billed sewer services	**201,140**	199,498	197,530	195,807	194,060

Note:

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

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

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2014	2013
ASSETS		
Current		
Cash	**$ 1**	$ 1
Due from General Revenue Fund (Note 4)	**73,601**	68,202
Accounts receivable (Note 3)	**36,889**	33,207
Prepaid expenses	**467**	667
Inventory	**220**	216
	111,178	102,293
Tangible capital assets (Note 5)	**903,638**	867,531
	$ 1,014,816	$ 969,824
LIABILITIES		
Current		
Performance and other deposits	**$ 11,673**	$ 3,598
Accounts payable and accrued liabilities (Note 6)	**9,849**	8,428
Current portion of long-term debt (Note 7)	**-**	1,509
	21,522	13,535
Long-term debt (Note 7)	**-**	89
	21,522	13,624
ACCUMULATED SURPLUS (Note 8)	**993,294**	956,200
	$ 1,014,816	$ 969,824

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)

	2014 Budget	2014 Actual	2013 Actual
REVENUES (Schedule 1)			
Sewer services (Note 10)	**$ 148,737**	**$ 143,068**	$ 138,904
Government transfers, permits and other	**7,672**	**8,458**	6,893
Interest	**769**	**925**	2,554
Total revenues	**157,178**	**152,451**	148,351
EXPENSES (Schedules 2 and 3)			
Collection, interception and treatment	**43,876**	**42,643**	39,522
Taxes, employee benefits and other (Note 11)	**14,307**	**14,324**	12,779
Engineering services	**60,920**	**6,807**	6,433
Finance and administration	**3,427**	**4,685**	3,166
Environmental standards	**2,827**	**2,513**	2,267
Information systems and technology	**2,194**	**2,011**	1,922
Customer services	**1,047**	**926**	880
Human resources	**997**	**865**	813
Debt and finance	**1,750**	**149**	3,253
Total expenses from operations	**131,345**	**74,923**	71,035
Surplus for the year from operations	**25,833**	**77,528**	77,316
Transfers to other funds (Note 12)	**49,714**	**47,930**	43,379
Net surplus for the year from operations after transfer to other funds	**(23,881)**	**29,598**	33,937
Net surplus from capital (Schedule 4)	**-**	**19,395**	15,518
Net surplus for the year	**$ (23,881)**	**48,993**	49,455
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**956,200**	918,219
CITY OF WINNIPEG - GENERAL REVENUE FUND UTILITY DIVIDEND PAYMENT		**(11,899)**	(11,473)
ACCUMULATED SURPLUS, END OF YEAR		**$ 993,294**	$ 956,201

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)

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 48,993**	$ 49,454
Non-cash items related to operations		
Amortization	**20,994**	20,429
Loss on disposal of tangible capital assets	**263**	97
Working capital from operations	**70,250**	69,980
Change in net working capital other than cash	**6,010**	(644)
	76,260	69,336
FINANCING		
Utility dividend payment	**(11,899)**	(11,473)
Due to General Revenue Fund	**(5,399)**	627
Payments to sinking fund	**(1,058)**	(2,268)
Debt retired	**(451)**	(1,659)
Interest on sinking fund	**(89)**	(1,822)
	(18,896)	(16,595)
INVESTING		
Purchase of tangible capital assets	**(57,364)**	(52,741)
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 transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

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

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

d) Sewer System Rehabilitation Reserve Fund

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds for the renewal and rehabilitation of combined and wastewater sewers, respectively, that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding was provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves was to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

The annual frontage levy funding was allocated by City Council between the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve in accordance with the capital program requirements. On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

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

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the future sources of funding for the Sewer System Rehabilitation Reserve Fund will include revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest. In 2014, $20.6 million (2013 - $13.7 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 2014 sewer rate includes a provision of 27 cents (2013 - 26 cents) per cubic meter of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2014, $16.5 million (2013 - $16 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

	2014	2013
Sewer billings	**$ 33,416**	$ 31,305
Other	**1,877**	1,311
Government grant receivable	**1,596**	591
	$ 36,889	$ 33,207

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, 2014 effective interest rate was 0.9% (2013 - 0.9%).

5. Tangible Capital Assets

	Net Book Value	
	2014	2013
Land	**$ 1,438**	$ 1,438
Land improvement	**100**	-
Buildings	**374**	385
Equipment	**140**	180
Information technology	**84**	107
Underground networks	**611,091**	589,635
Sewage treatment plants and lift stations	**243,055**	244,567
Assets under construction	**47,356**	31,219
	$ 903,638	$ 867,531

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

During 2014 there was no write-down of tangible capital assets . Interim financing charges capitalized during 2014 were $263 thousand (2013 - $97 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled $16.1 million in 2014 (2013 - $12.5 million) and were capitalized at their fair value at the time of receipt.

6. Accounts Payable and Accrued Liabilities

	2014	2013
Trade accounts payable	**$ 9,530**	$ 6,902
Other accrued liabilities	**319**	262
Accrued debenture interest	**-**	1,264
	$ 9,849	$ 8,428

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2014**	Amount of Debt 2013
1994-2014	Jan. 20	8.000	VQ	6300/94	$ -	$ 35,000
					-	35,000
Equity in Sinking Fund (Note 7b)					-	(33,853)
Net sinking fund debentures outstanding					-	1,147

Other long-term debt outstanding

	2014	2013
Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.60% (2013 - 5.015%)	-	451
	-	1,598
Current portion of long-term debt	-	(1,509)
	$ -	$ 89

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 $1.4 million (2013 - $4.7 million).

8. Accumulated Surplus

	2014	2013
Invested in tangible capital assets	**$ 912,459**	$ 877,960
Retained earnings	**92,734**	89,713
Utility dividend payment	**(11,899)**	(11,473)
	$ 993,294	$ 956,200

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.

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 be deducted amounts for failing to achieve minimum KPIs (“KPI Deductions”).

The agreement only guarantees payment to Veolia in respect to 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, 2014, prepaid expenses include $467 thousand on account of the City’s payment of Direct Costs related to the PGS (2013 - $667 thousand). In addition to the PGS, Veolia is providing a Parental Guarantee by its parent company.

9. *Commitment (continued)*

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 2014 was $2.21 per cubic meter (2013 - $2.15). The Environmental Projects Reserve contribution for 2014 was 27 cents per cubic meter (2013 - 26.0 cents).

11. *Taxes, Employee Benefits and Other*

Property taxes

Property taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2014, realty taxes paid and transferred to the General Revenue Fund were $9.9 million (2013 - $8.9 million).

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2014 is $1.2 million (2013 - $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, 2014 is estimated at $318 thousand (2013 - $917 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, 2014 is estimated at $0.9 million (2013 - $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, 2014 at $1.5 million (2013 - $1.8 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year $1.4 million (2013 - $1.3 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, 2014 and has disclosed an actuarial surplus.

11. Taxes, Employee Benefits and Other

General government charges

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2014, this amounted to $0.9 million (2013 - $0.9 million) and was transferred to the General Revenue Fund.

Rent

Included in expenses is $1.3 million (2013 - $1.2 million) that has been charged by the Municipal Accommodations Fund for the rental of office space.

Insurance and damage claims

Included in expenses is $113 thousand charged (2013 - $831 thousand recoverable) from the City of Winnipeg Insurance Reserve.

12. Transfers to Other Funds

The Sewage Disposal System, as approved through the annual operating budget, funds 100% of land drainage and flood control costs. In 2014, $10.8 million (2013 - $13.7 million) was contributed to the General Revenue Fund to support the land drainage and flood control program.

	2014	2013
Transfer to Sewer System Rehabilitation Reserve	**$ 20,600**	$ 13,700
Transfer to Environmental Projects Reserve	**16,486**	15,986
Transfer to General Revenue Fund	**10,844**	13,694
	$ 47,930	$ 43,380

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)

	2014 Budget	2014 Actual	2013 Actual
Sewer services	$ 148,737	$ 143,068	$ 138,904
Government transfers, permits and other			
Industrial waste surcharges	3,500	3,863	3,085
Hauled waste	2,495	2,546	1,980
Provincial transfers	863	829	890
Other	534	871	600
Permits and fees	280	349	338
	7,672	8,458	6,893
Interest			
Interest	480	781	681
Sinking Fund earnings	89	89	1,822
Capitalized	200	55	51
	769	925	2,554
Total Revenues	$ 157,178	$ 152,451	$ 148,351

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2014 Budget	2014 Actual	2013 Actual
Collection, interception and treatment			
North end sewage treatment plant	$ 15,246	$ 14,768	$ 13,539
Local sewer	6,677	6,844	6,338
South end sewage treatment plant	4,006	4,091	3,788
Interception system	3,418	3,137	2,720
Sludge disposal	3,262	2,873	2,859
Mechanical maintenance	2,140	2,534	2,056
Electrical maintenance/instrumentation	2,210	2,374	2,305
West end sewage treatment plant	2,442	2,248	1,944
Administration	2,407	2,140	2,364
Civil maintenance	1,281	987	1,001
Process control	787	647	608
	43,876	42,643	39,522
Taxes, employee benefits and other			
Property taxes	9,968	9,965	8,891
Miscellaneous	1,750	2,014	1,805
Rent	1,260	1,260	1,243
General government charges	908	908	904
Employee benefits	541	479	429
Insurance and claims	398	398	426
Provincial payroll tax	382	332	319
Recoveries	(900)	(1,032)	(1,238)
	14,307	14,324	12,779
Engineering services			
Sewer connections	1,960	2,680	2,502
Wastewater planning	1,991	1,587	1,441
Administrative services	719	560	592
Design and construction	571	534	530
Drafting and graphic	639	531	539
Asset management	479	396	261
Customer technical services	336	327	367
Engineering services development	175	142	151
Land drainage and flood planning	50	50	50
	6,920	6,807	6,433

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2014 Budget	2014 Actual	2013 Actual
Finance and administration			
Customer accounts	**2,274**	**3,481**	2,222
Administrative services	**423**	**442**	272
Financial services	**368**	**359**	331
Financial planning	**202**	**211**	204
Rates / business analysis	**160**	**192**	137
	3,427	**4,685**	3,166
Environmental standards			
Analysis	**1,530**	**1,388**	1,312
Industrial waste	**898**	**820**	609
Administration	**309**	**210**	254
Compliance	**90**	**95**	92
	2,827	**2,513**	2,267
Information systems and technology			
Major systems	**1,393**	**1,409**	1,266
Support services	**801**	**602**	656
	2,194	**2,011**	1,922
Customer services			
Customer relations	**981**	**859**	816
Administration	**48**	**49**	48
Communications	**18**	**18**	16
	1,047	**926**	880
Human resources			
Human resources	**471**	**395**	384
Human resources training	**201**	**164**	112
Timekeeping and payroll	**177**	**160**	172
Work place health and safety	**148**	**146**	145
	997	**865**	813
Debt and finance			
Long-term debt interest	**1,745**	**147**	3,244
Finance charges	**5**	**2**	9
	1,750	**149**	3,253
Total Expenses from Operations	**77,345**	**74,923**	71,035

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2014 Budget	2014 Actual	2013 Actual
Transfers to other funds (Note 12)			
Transfer to Sewer System Rehabilitation Reserve	**20,600**	**20,600**	13,700
Transfer to Environmental Projects Reserve	**17,206**	**16,486**	15,985
Transfer to General Revenue Fund	**11,908**	**10,844**	13,694
	49,714	**47,930**	43,379
Total Expenses	**$ 127,059**	**$ 122,853**	$ 114,414

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2014 Budget	**2014 Actual**	2013 Actual
Transfers to other funds	**$ 49,714**	**$ 47,930**	$ 43,379
Goods and services	**45,939**	**44,163**	41,421
Salaries	**17,195**	**15,811**	15,073
Other expenses	**12,949**	**14,761**	12,772
Employee benefits	**3,405**	**3,102**	3,025
Interest on long-term debt	**147**	**147**	3,244
Finance charges	**1,603**	**2**	9
Recoveries	**(3,893)**	**(3,063)**	(4,509)
Total Expenses	**$ 127,059**	**$ 122,853**	$ 114,414

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2014 Actual	2013 Actual
Revenues		
Transfer from Sewer System Rehabilitation Reserve	**$ 13,022**	$ 16,811
Transfer from Environmental Projects Reserve	**11,277**	7,991
Transfer from General Capital	**1,527**	-
Provincial and Federal capital transfers	**1,499**	111
Transfer from Waterworks System	**1**	14
	27,326	24,927
Developer contributions-in-kind	**15,404**	12,480
Total revenues from capital	**42,730**	37,407
Expenses		
Amortization	**20,994**	20,429
Capital maintenance	**1,621**	1,280
Transfer to Waterworks System	**457**	83
Loss on disposal of tangible capital assets	**263**	97
Total expenses from capital	**23,335**	21,889
Net surplus from capital	**$ 19,395**	$ 15,518

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General				
	Land	Land Imp	Buildings	Equipment	Information Technology
Cost					
Balance, beginning of year	$ 1,438	$ -	$ 989	$ 400	$ 227
Add: Additions during the year	-	105		-	-
Less: Disposals during the year	-		-	-	-
Balance, end of year	1,438	105	989	400	227
Accumulated amortization					
Balance, beginning of year	-	-	604	220	120
Add: Amortization	-	5	11	40	23
Less: Accumulated amortization on disposals	-	-	-	-	-
Balance, end of year	-	5	615	260	143
Net Book Value of Tangible Capital Assets	$ 1,438	$ 100	$ 374	$ 140	$ 84

Schedule 5

Infrastructure			Totals	
Underground Networks	Sewage Treatment Plants and Lift Stations	Assets Under Construction	**2014**	2013
$ 924,948	$ 407,731	$ 31,219	**$ 1,366,952**	$ 1,314,681
34,565	6,557	16,137	**57,364**	52,741
(1,535)	-	-	**(1,535)**	(470)
957,978	414,288	47,356	**1,422,781**	1,366,952
335,313	163,164	-	**499,421**	479,365
12,846	8,069	-	**20,994**	20,429
(1,272)	-	-	**(1,272)**	(373)
346,887	171,233	-	**519,143**	499,421
$ 611,091	$ 243,055	$ 47,356	**$ 903,638**	$ 867,531

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 Resource Management Facility and the City's waste minimization programs. In addition, the Fund's budget provides funding for Take Pride Winnipeg, debt charges, employee benefits, taxes and transfers to the Waste Diversion and to the Brady Landfill Rehabilitation Reserves.

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road landfill and two other privately operated landfills in the capital region. The commercial tipping fee is $59.50 per tonne. Commercial tonnage coming to Brady Road landfill has decreased approximately 4.7% from 2013. In 2014 waste was also received from Falcon Lake and Hecla Island Provincial Parks and the Rural Municipalities of Springfield and MacDonald.

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

The revenues from the recycling programs are comprised of support payments received from the Multi Material Stewardship Manitoba and the sale of recyclables. In 2014, the City realized $10.1 million in revenue (2013 - $8.2 million) from recycling.

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

In 2011, City Council approved the Comprehensive Integrated Waste Management Strategy with the objective of achieving a greater than 50% diversion rate through implementation of various short and long-term initiatives commencing in 2012. Enhancements which included the completion of the City-wide roll out of the automated cart system for garbage collection, the move from a five day collection schedule to a weekly collection calendar and curbside yard waste collection, became effective October 1, 2012. Part of this roll out included the introduction of the waste diversion fee which is used to fund the Department's waste diversion initiatives. In 2014 this fee is $0.137 per day.

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

FIVE-YEAR REVIEW

December 31
(unaudited)

	2014	2013	2012	2011	2010
Solid Waste (tonnes)					
Single family residential	**121,601**	120,287	153,128	163,923	176,215
Multi-family and small commercial	**54,409**	53,610	48,606	46,292	46,571
Large commercial / industrial	**96,832**	101,584	105,334	87,520	84,515
Other (1)	**117,419**	117,990	119,170	146,678	101,775
Charitable organization	**2,735**	2,663	3,050	2,351	2,067
Total landfill tonnage	**392,996**	396,134	429,288	446,764	411,143
Residential small loads					
Number of loads	**91,968**	93,506	93,585	96,661	112,073
Compostable Yard Waste					
Total tonnage	**29,754**	23,223	11,327	7,778	7,157
Recyclables (tonnes)					
Blue cart	**48,960**	48,410	38,992	35,596	36,434
Depots/apartments	**5,504**	5,247	9,141	10,235	10,494
Total recyclables	**54,464**	53,657	48,133	45,831	46,928
Leachate Removed					
Total kilolitres	**60,812**	53,596	62,997	61,796	52,171

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

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

STATEMENT OF FINANCIAL POSITION

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

	2014	2013
ASSETS		
Current		
Cash	**$ 64**	$ 181
Due from General Revenue Fund (Note 3)	**1,197**	2,168
Accounts receivable (Note 4)	**10,718**	7,147
	11,979	9,496
Tangible capital assets (Note 5)	**26,541**	24,137
	$ 38,520	$ 33,633
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 11,388**	$ 6,874
Current portion of long-term debt (Note 7)	**1,402**	1,367
	12,790	8,241
Long-term debt (Note 7)	**8,837**	10,284
	21,627	18,525
ACCUMULATED SURPLUS (Note 8)	**16,893**	15,108
	$ 38,520	$ 33,633

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)

	2014 Budget	2014 Actual	2013 Actual
REVENUES (Schedule 1)			
Sales of services and regulatory fees	**$ 31,372**	**$ 30,912**	$ 27,676
Government transfers and other	**4,593**	**5,465**	4,707
Interest	**105**	**199**	300
Total revenues	**36,070**	**36,576**	32,683
EXPENSES (Schedules 2 and 3)			
Solid waste operations	**31,053**	**31,070**	28,391
Employee benefits, taxes and other (Note 9)	**291**	**664**	210
Debt and finance	**3,317**	**378**	415
Total expenses from operations	**34,661**	**32,112**	29,016
Surplus for the year from operations	**1,409**	**4,464**	3,667
Transfers to other funds (Note 10)	**1,485**	**1,174**	1,798
Surplus (deficit) from operations after transfers to other funds	**(76)**	**3,290**	1,869
Net deficit from capital (Schedule 4)	**-**	**(1,505)**	(372)
Net surplus (deficit) for the year	**$ (76)**	**1,785**	1,497
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**15,108**	13,611
ACCUMULATED SURPLUS, END OF YEAR		**$ 16,893**	$ 15,108

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)

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 1,785**	$ 1,497
Non-cash items related to operations		
Amortization	**1,615**	1,329
Working capital from operations	**3,400**	2,826
Change in net working capital other than cash	**943**	2,893
	4,343	5,719
FINANCING		
Repayment of loan	**(1,337)**	(1,302)
Due from/to General Revenue Fund	**971**	4,235
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(45)**	(41)
Payments to The Sinking Fund Trustees for outstanding debt	**(30)**	(31)
	(441)	2,861
INVESTING		
Purchase of tangible capital assets	**(4,019)**	(8,574)
Increase (decrease) in cash	**(117)**	6
Cash position, beginning of year	**181**	175
Cash position, end of year	**$ 64**	$ 181

See accompanying notes and schedules to the financial statements

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

1. *Significant Accounting Policies*

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

Basis of accounting

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

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

a) Tangible capital assets

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

Land improvements	10 to 100 years
Machinery and equipment	10 to 20 years
Information technology	5 to 10 years

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

b) Brady Landfill Rehabilitation Reserve

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

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

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

c) Waste Diversion Reserve

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

1. Significant Accounting Policies (continued)

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

d) Government transfers

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

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

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

2. Status of the Solid Waste Disposal Fund

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

3. Due from/to General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2014 effective interest rate was 0.9% (2013 - 0.9%).

4. Accounts Receivable

	2014	2013
Landfill tipping, recycling and waste diversion	**$ 10,931**	$ 7,353
Allowance for doubtful accounts	**(213)**	(206)
	$ 10,718	$ 7,147

5. Tangible Capital Assets

	Net Book Value	
	2014	2013
Land	**$ 541**	$ 541
Land improvements	**11,141**	10,273
Building and improvements	**624**	-
Machinery and equipment	**9,619**	10,502
Information technology	**34**	43
	21,959	21,359
Assets under construction	**4,582**	2,778
	$ 26,541	$ 24,137

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 (2013 - $nil). Interim financing charges capitalized during 2014 were $67 thousand (2013 - $166 thousand).

6. *Accounts Payable and Accrued Liabilities*

	2014	2013
Trade accounts payable	**$ 8,932**	$ 4,673
Waste Reduction and Recycling Support Levy	**2,199**	2,052
Other accrued liabilities	**166**	58
Accrued debenture interest payable	**91**	91
	$ 11,388	$ 6,874

7. *Long-Term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2014**	Amount of Debt 2013
1995-2015	May 12	9.125	VR	6620/95	**$ 1,000**	$ 1,000
Equity in Sinking Fund (Note 7b)					**(953)**	(878)
Net sinking fund debentures outstanding					**47**	122

Other debt outstanding

	2014	2013
TD Commercial Bank loan with a maturity date of November 13, 2021 and an interest rate of 2.63%	**10,192**	11,529
	10,239	11,651
Current portion of debentures	**(30)**	(30)
Current portion of loan	**(1,372)**	(1,337)
	(1,402)	(1,367)
	$ 8,837	$ 10,284

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

	2015	2016	2017	2018	2019	2020 and Thereafter
Sinking fund debentures	$ 1,000	$ -	$ -	$ -	$ -	$ -
Other debt	1,372	1,408	1,446	1,485	1,524	2,957
	$ 2,372	$ 1,408	$ 1,446	$ 1,485	$ 1,524	$ 2,957

7. *Long-Term Debt (continued)*

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

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

c) Cash paid for interest during the year was $0.4 million (2013 - $0.4 million).

8. *Accumulated Surplus*

	2014	2013
Invested in tangible capital assets	**$ 9,955**	$ 8,465
Retained earnings	**6,938**	6,643
	$ 16,893	$ 15,108

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, 2014 is $182 thousand (2013 - $190 thousand).

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, 2014 is estimated at $1.3 million (2013 - $96 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, 2014 at $241 thousand (2013 - $287 thousand).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2014 at $123 thousand (2013 - $48 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 2014, $279 thousand (2013 - $220 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, 2013 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 2014 this amounted to $136 thousand (2013 - $135 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 2014, the amount incurred was $30 thousand (2013 - $15 thousand).

Insurance and damage claims

The Solid Waste Disposal Fund was charged $15 thousand (2013 - $15 thousand) by the Insurance Reserve Fund.

10. Transfers to Other Funds

	2014	2013
Transfer to Waste Diversion Reserve	**$ 1,000**	$ 1,625
Transfer to Brady Landfill Rehabilitation Reserve	**174**	173
	$ 1,174	$ 1,798

Included in various expense categories is an amount of $174 thousand (2013 - $203 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.

12. Comparative Figures

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

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 1

REVENUES

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

	2014 Budget	2014 Actual	2013 Actual
Sales of services and regulatory fees			
Landfill tipping fees	**$ 9,948**	**$ 10,424**	$ 9,193
Recycling	**11,119**	**10,055**	8,168
Waste diversion user fee	**9,570**	**9,872**	9,719
Small load fees	**735**	**561**	596
	31,372	**30,912**	27,676
Government transfers and other			
Waste reduction support	**4,500**	**5,393**	4,636
Provincial support	**93**	**72**	71
	4,593	**5,465**	4,707
Interest			
Interest capitalized	**30**	**67**	166
Late payment charges	**20**	**62**	56
Sinking Fund earnings	**45**	**45**	41
Interest	**10**	**25**	37
	105	**199**	300
Total Revenues	**$ 36,070**	**$ 36,576**	$ 32,683

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 2

EXPENSES

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

	2014 Budget	2014 Actual	2013 Actual
Solid waste operations			
Recycling	**$ 13,698**	**$ 15,626**	$ 15,405
Brady Road Resource Management Facility	**9,504**	**9,161**	8,105
Waste minimization	**5,114**	**4,031**	2,958
Landfill and environmental	**1,765**	**1,417**	1,351
Support Services	**704**	**605**	228
Administration	**268**	**230**	344
	31,053	**31,070**	28,391
Employee benefits, taxes and other			
Employee benefits	**119**	**393**	64
General government charges	**136**	**136**	135
Provincial payroll tax	**79**	**75**	72
Insurance and damage claims	**30**	**30**	29
Property taxes	**32**	**30**	15
Recoveries	**(105)**	**-**	(105)
	291	**664**	210
Debt and finance			
Interest on long-term debt	**910**	**378**	415
Amortization	**2,407**	**-**	-
	3,317	**378**	415
Total Expenses from Operations	**34,661**	**32,112**	29,016
Transfers to other funds (Note 10)			
Transfer to Waste Diversion Reserve	**1,300**	**1,000**	1,625
Transfer to Brady Landfill Rehabilitation Reserve	**185**	**174**	173
	1,485	**1,174**	1,798
Total Expenses	**$ 36,146**	**$ 33,286**	$ 30,814

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 3

EXPENSES BY OBJECT

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

	2014 Budget	**2014 Actual**	2013 Actual
Goods and services	**$ 28,035**	**$ 27,202**	$ 24,822
Salaries	**3,543**	**3,165**	2,820
Transfers	**1,485**	**1,174**	1,798
Employee benefits	**742**	**901**	530
Other expenses	**466**	**513**	638
Interest on long-term debt	**3,317**	**378**	415
Finance charges	**125**	**67**	56
Recoveries	**(1,567)**	**(114)**	(265)
Total Expenses	**$ 36,146**	**$ 33,286**	$ 30,814

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 4

DEFICIT FROM CAPITAL

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

	2014 Actual	2013 Actual
Revenues		
Transfer from Waste Diversion Reserve Fund	**$ 645**	$ 673
Provincial capital transfers	**-**	840
Total revenues from capital	**645**	1,513
Expenses		
Amortization	**1,615**	1,329
Capital studies and other equipment	**298**	316
Capital maintenance	**237**	240
Total expenses from capital	**2,150**	1,885
Net deficit from capital	**$ (1,505)**	$ (372)

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	$ 13,695	$ 211 *	$ 13,560
Add: Additions (completions) during the year		1,401	637	177
Balance, end of year	541	15,096	848	13,737
Accumulated amortization				
Balance, beginning of year	-	3,422	211 *	3,058
Add: Amortization	-	533	13	1,060
Balance, end of year	-	3,955	224	4,118
Net Book Value of Tangible Capital Assets	$ 541	$ 11,141	$ 624	$ 9,619

Information Technology	Assets Under Construction	Totals 2014	Totals 2013
$ 93	$ 2,778	**$ 30,878**	$ 22,304
-	1,804	**4,019**	8,574
93	4,582	**34,897**	30,878
50	-	**6,741**	5,412
9	-	**1,615**	1,329
59	-	**8,356**	6,741
$ 34	$ 4,582	**$ 26,541**	$ 24,137

PHOTO: Winnipeg Jets Hockey Club

2 0 1 4 S P E C I A L O P E R A T I N G A G E N C I E S

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

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2014	2013
FINANCIAL ASSETS		
Cash	**$ 22,638**	$ 4,428
Accounts receivable (Note 3)	**74,866**	52,080
Due from the City of Winnipeg - General Revenue Fund (Note 4)	**640,072**	734,137
	737,576	790,645
LIABILITIES		
Accounts payable and accrued liabilities	**80,535**	82,926
Deferred revenue	**724,344**	1,013,730
Vacation and overtime payable	**90,454**	90,313
Retirement allowances and compensated absences (Note 5a)	**107,000**	94,000
	1,002,333	1,280,969
NET FINANCIAL LIABILITIES	**(264,757)**	(490,324)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**99,127**	50,527
Inventories	**13,101**	4,070
Prepaid expenses	**42,900**	39,577
	155,128	94,174
ACCUMULATED DEFICIT	**$ (109,629)**	$ (396,150)

Commitments (Note 8)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

For the years ended December 31

	Budget 2014	**Actual 2014**	Actual 2013
REVENUES			
Regulation fees	**$ 1,918,400**	**$ 1,721,695**	$ 1,903,130
Transfer (Note 9)	**1,404,276**	**1,404,276**	1,404,276
Sales of goods and services	**103,800**	**81,066**	82,078
Other revenue	**30,000**	**44,384**	42,958
Government transfers	**25,578**	**27,919**	25,373
Total Revenues	**3,482,054**	**3,279,340**	3,457,815
EXPENSES			
Salaries and employee benefits	**1,649,270**	**1,561,280**	1,425,429
Grants, transfers and other	**543,886**	**529,020**	518,175
Services (Note 10)	**459,715**	**368,365**	372,869
Rent (Note 10)	**211,564**	**211,564**	211,564
Administrative expenses (Note 10)	**161,937**	**160,218**	150,326
Materials, parts and supplies	**176,036**	**113,160**	104,194
Debt and finance charges	**36,000**	**22,564**	25,167
Amortization	**25,078**	**20,373**	19,186
Assets and purchases	**3,202**	**6,275**	12,100
Interest (Note 4)	**172**	**-**	-
Recoveries	**-**	**-**	-
Total Expenses	**3,266,860**	**2,992,819**	2,839,010
Excess of Revenues Over Expenses	**215,194**	**286,521**	618,805
ACCUMULATED DEFICIT, BEGINNING OF YEAR	**(396,150)**	**(396,150)**	(1,014,955)
ACCUMULATED DEFICIT, END OF YEAR (Note 7)	**$ (180,956)**	**$ (109,629)**	$ (396,150)

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:

	2014	2013
OPERATING		
Excess of revenues over expenses	**$ 286,521**	$ 618,805
Non-cash charges to operations		
Amortization	**20,373**	19,186
Retirement allowances and compensated absences	**13,000**	13,000
	319,894	650,991
Net change in non-cash working capital balances related to operations	**(326,776)**	(128,733)
Cash (used in) provided by operating activities	**(6,882)**	522,258
CAPITAL		
Acquisition of tangible capital assets	**(68,973)**	(23,485)
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**94,065**	(507,985)
Increase (decrease) in cash	**18,210**	(9,212)
CASH, BEGINNING OF YEAR	**4,428**	13,640
CASH, END OF YEAR	**$ 22,638**	$ 4,428

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 2014	Actual 2014	Actual 2013
Excess of Revenues Over Expenses	**$ 215,194**	**$ 286,521**	$ 618,805
Amortization of tangible capital assets	**25,078**	**20,373**	19,186
Change in inventories and prepaid expenses	**-**	**(12,354)**	5,248
Acquisition of tangible capital assets	**(64,000)**	**(68,973)**	(23,485)
DECREASE IN NET FINANCIAL LIABILITIES	**176,272**	**225,567**	619,754
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(490,324)**	**(490,324)**	(1,110,178)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (314,052)**	**$ (264,757)**	$ (490,324)

See accompanying notes and schedule to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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%
Computer Software	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*

	2014	2013
Trade accounts receivable	**$ 50,879**	$ 30,338
Allowance for doubtful accounts	**(3,475)**	(3,476)
	47,404	26,862
Province of Manitoba	**27,462**	25,218
	$ 74,866	$ 52,080

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

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2014 interest rate was 0.9% (2013 - 0.9%). The 2014 budget approved by City Council includes an operating line of credit of $1,100,000.

During the year, the Agency paid $nil (2013 - $nil) in interest costs.

5. *Employee Benefits*

a) Retirement allowances and compensated absences

	2014	2013
Retirement allowances - accrued benefit liability	**$ 75,000**	$ 64,000
Compensated absences	**32,000**	30,000
	$ 107,000	$ 94,000

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 17.2 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, 2014. The results of this valuation were extrapolated to the financial reporting date of December 31, 2014 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:

	2014		2013	
	Retirement allowances	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	**$ 74,000**	**$ 30,000**	$ 80,000	$ 27,000
Current service cost	**5,000**	**2,000**	5,000	2,000
Interest cost	**3,000**	**1,000**	3,000	1,000
Benefit payments	**-**	**(1,000)**	-	(1,000)
Net actuarial (gain)/loss	**(4,000)**	**35,000**	(14,000)	1,000
Balance, end of year	**78,000**	**67,000**	74,000	30,000
Unamortized net actuarial (gain)/loss	**(3,000)**	**(35,000)**	(10,000)	-
Accrued benefit liability	**$ 75,000**	**$ 32,000**	$ 64,000	$ 30,000
Benefit expenses:				
Current service cost	**$ 5,000**	**$ 2,000**	$ 5,000	$ 2,000
Interest cost	**3,000**	**1,000**	3,000	1,000
Amortization of net actuarial (gain)/loss	**3,000**	**-**	5,000	(2,000)
	$ 11,000	**$ 3,000**	$ 13,000	$ 1,000
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 64,000**	**$ 30,000**	$ 51,000	$ 30,000
Benefit expense	**11,000**	**3,000**	13,000	1,000
Benefit payments	**-**	**(1,000)**	-	(1,000)
Balance, end of year	**$ 75,000**	**$ 32,000**	$ 64,000	$ 30,000

5. Employee Benefits (continued)

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

	2014	2013
Valuation interest rate	**2.90%**	3.70%
General increases in pay	**2.50%**	3.50%
Expected average remaining service life	**17.2 years**	13.5 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, $123,235 (2013 - $107,124) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2013 and it has an actuarial surplus.

6. Tangible Capital Assets

	Net Book Value	
	2014	2013
Computer equipment	**$ 4,775**	$ 6,794
Furniture and other equipment	**21,430**	27,866
Communication radios	**12,786**	15,867
Computer Software	**60,136**	-
	$ 99,127	$ 50,527

For additional information, see Schedule of Tangible Capital Assets.

7. Accumulated Deficit

	2014	2013
Accumulated Deficit	**$ (396,150)**	$ (1,014,955)
Excess of Revenues Over Expenses	**286,521**	618,805
	$ (109,629)	$ (396,150)

8. Commitments

The Agency and the Winnipeg Humane Society entered into a contract that was effective January 1, 2011 to December 31, 2013. The Service Agreement has been amended to extend the term to December 31, 2015. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agreed to pay the Winnipeg Humane Society the sum of $425,000 per year, payable in quarterly instalments of $106,250. In addition, the Agency agreed to pay $20 for every cat spay/neuter that the Winnipeg Humane Society performed up to an annual maximum of $75,000. Funds for 2015 through 2017 have been budgeted on a status quo basis.

9. Transfer from The City of Winnipeg

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

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

2010	1,154,276
2011	1,334,276
2012	1,302,504
2013	1,404,276
2014	1,404,276

10. Related Party Transactions

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

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

Included in the Agency's expenditures is a transfer to The City of Winnipeg Municipal Accommodations Fund for rent of $211,564 (2013 - $211,564) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $83,338 (2013 - $80,396). Also included are lease costs of $118,472 (2013 - $87,696) to The City of Winnipeg Fleet Management - Special Operating Agency and $76,830 (2013 - $69,930) for general government charges that have been paid to the City of Winnipeg - General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31

	Computer Equipment	Furniture and Other Equipment	Communication Radios	Computer Software	2014 Total	2013 Total
Cost						
Balance, Beginning of year	$ 149,454	$ 119,220	$ 52,911	$ -	$ 321,585	$ 298,100
Add:						
Additions during the year	-	2,155	-	66,818	68,973	23,485
Less:						
Disposals during the year	-	-	-	-	-	-
Balance, end of year	149,454	121,375	52,911	66,818	390,558	321,585
Accumulated amortization						
Balance, Beginning of year	142,660	91,354	37,044	-	271,058	251,872
Add:						
Amortization	2,019	8,591	3,081	6,682	20,373	19,186
Less:						
Accumulated amortization on disposals	-	-	-	-	-	-
Balance, end of year	144,679	99,945	40,125	6,682	291,431	271,058
Net Book Value of Tangible Capital Assets	$ 4,775	$ 21,430	$ 12,786	$ 60,136	$ 99,127	$ 50,527

PHOTO: Dan Harper

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2014	2013
FINANCIAL ASSETS		
Accounts receivable	**$ 309**	$ 255
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**7,656**	7,585
Accounts payable and accrued liabilities	**81**	55
Deferred revenue	**66**	55
Debt (Note 4)	**2,963**	3,807
Accrued employee benefits (Note 5a)	**152**	151
	10,918	11,653
NET FINANCIAL LIABILITIES	**(10,609)**	(11,398)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**22,683**	22,659
Inventories	**40**	23
	22,723	22,682
ACCUMULATED SURPLUS (Note 7)	**$ 12,114**	$ 11,284

Commitments (Note 9)

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 2014	Actual 2014	Actual 2013
REVENUES			
Green fees	**$ 1,871**	**$ 1,448**	$ 1,631
Debt forgiven (Note 4)	**844**	**844**	-
Equipment rentals	**359**	**305**	335
Net revenue from leasing operations	**261**	**268**	262
Transfer from The City of Winnipeg - General Revenue Fund	**-**	**150**	-
Transfer from The City of Winnipeg - Golf Course Reserve Fund	**246**	**95**	-
Other	**65**	**35**	50
Concessions	**58**	**43**	49
Merchandise sales	**64**	**43**	41
Transfer from The City of Winnipeg - Contributions in Lieu of Land Dedication Reserve Fund	**-**	**25**	-
Gain on sale of tangible capital assets	**-**	**24**	-
Total Revenues	**3,768**	**3,280**	2,368
EXPENSES			
Salaries and employee benefits (Note 5)	**1,400**	**1,241**	1,218
Services (Note 8)	**719**	**577**	880
Amortization	**193**	**209**	227
Supplies	**204**	**171**	220
Interest (Notes 3 and 4)	**67**	**80**	307
Other	**28**	**40**	329
Total Expenses	**2,611**	**2,318**	3,181
Annual Surplus (Deficit) Before Other	**1,157**	**962**	(813)
OTHER			
Transfer to The City of Winnipeg - Golf Course Reserve Fund	**171**	**132**	-
Annual Surplus (Deficit)	**$ 986**	**830**	(813)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**11,284**	12,207
Transfer to The City of Winnipeg - Golf Course Reserve Fund		**-**	(67)
Transfer to The City of Winnipeg - General Revenue Fund		**-**	(43)
ACCUMULATED SURPLUS, END OF YEAR		**$ 12,114**	$ 11,284

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)

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus (Deficit)	**$ 830**	$ (813)
Non-cash charges to operations		
Gain on forgiveness of debt	**(844)**	-
Amortization	**209**	227
Gain on disposal of tangible capital assets	**(24)**	-
Retirement allowance and compensated absences	**8**	12
Environmental liability	**-**	(100)
	179	(674)
Net change in non-cash working capital balances related to operations	**(41)**	(221)
Cash provided by (used in) operating activities	**138**	(895)
CAPITAL		
Acquisition of tangible capital assets	**(233)**	(46)
Proceeds on disposal of tangible capital assets	**24**	-
Cash used in capital activities	**(209)**	(46)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**71**	1,177
Repayment of debt - The City of Winnipeg	**-**	(126)
Transfer to The City of Winnipeg - Golf Course Reserve Fund	**-**	(67)
Transfer to The City of Winnipeg - General Revenue Fund	**-**	(43)
Cash provided by financing activities	**71**	941
CASH, BEGINNING OF YEAR	**-**	-
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Budget 2014	Actual 2014	Actual 2013
ANNUAL SURPLUS (DEFICIT)	$ 986	$ 830	$ (813)
Amortization of tangible capital assets	193	209	227
Proceeds on disposal of tangible capital assets	-	24	-
Gain on disposal of tangible capital assets	-	(24)	-
Change in inventories	-	(40)	-
Acquisition of tangible capital assets	(246)	(233)	(46)
Transfer to the City of Winnipeg - General Revenue Fund	-	-	(43)
Transfer to the City of Winnipeg - Golf Course Reserve Fund	(171)	-	(67)
DECREASE (INCREASE) IN NET FINANCIAL LIABILITIES	762	766	(742)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	(11,462)	(11,375)	(10,633)
NET FINANCIAL LIABILITIES, END OF YEAR	$ (10,700)	$ (10,609)	$ (11,375)

See accompanying notes and schedule to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Status of Golf Services - Special Operating Agency

On February 23, 2000, City Council directed that a Business Plan and Operating Charter for 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 records revenue as it is earned and measurable. Expenses are recorded as they are incurred and measurable based upon receipt of goods or services and/or 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) 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.

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)*

i) 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 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:

Building	25 years
Equipment	10 years
Golf course improvements	20 years

ii) 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 $27 thousand (2013 - $29 thousand).

e) 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.

f) 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, and the useful life of tangible capital assets. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

3. *Due to The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2014 effective interest rate was 0.9% (2013 - 0.9%). The limit of this line of credit is $7.5 million (2013 - $7.5 million).

Interest paid to The City of Winnipeg - General Revenue Fund was $80 thousand (2013 - $70 thousand).

4. *Debt*

	2014	2013
The City of Winnipeg - General Revenue Fund		
Start-up loan, non-interest bearing (2013 - 6%)	**$ 2,963**	$ 2,963
The City of Winnipeg - Golf Course Reserve Fund		
Golf course improvement loans	**-**	844
	$ 2,963	$ 3,807

4. *Debt (continued)*

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

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

2015	$	63
2016		34
2017		36
2018		39
2019		41
Thereafter		2,750
	$	2,963

b) Interest on the start-up loan is $nil (2013 - $179 thousand).

c) Cash paid for interest during the year is $nil (2013 - $237 thousand).

5. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

		2014		2013
Retirement allowance - accrued liability	**$**	**123**	$	117
Vacation		**23**		30
Compensated absences		**6**		4
	$	**152**	$	151

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 15.3 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 obligations as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2014 calculated as of July 31, 2014. The results of this valuation were extrapolated to the financial reporting date of December 31, 2014 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.

5. *Accrued Employee Benefits (continued)*

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

	2014		2013	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 104**	**$ 40**	$ 98	$ 37
Current service cost	**6**	**2**	7	3
Interest cost	**4**	**1**	4	1
Benefit payments	**-**	**(5)**	-	(5)
Amortization of net actuarial (gain) loss	**(22)**	**34**	(5)	4
Balance, end of year	**92**	**72**	104	40
Unamortized net actuarial gain (loss)	**31**	**(66)**	13	(36)
Accrued benefit liability	**$ 123**	**$ 6**	$ 117	$ 4
Benefit expense consists of the following:				
Current service cost	**$ 6**	**$ 2**	$ 7	$ -
Interest cost	**4**	**1**	4	-
Amortization of net actuarial (gain) loss	**(4)**	**4**	(1)	-
	$ 6	**$ 7**	$ 10	$ -
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 117**	**$ 4**	$ 107	$ 2
Benefits expense	**6**	**7**	10	7
Benefits payments	**-**	**(5)**	-	(5)
Balance, end of year	**$ 123**	**$ 6**	$ 117	$ 4

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

	2014	2013
Valuation interest rate	**2.9%**	3.7%
General increases in pay	**2.5%**	3.5%

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

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $66 thousand (2013 - $70 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, 2013 and it has an actuarial surplus.

6. Tangible Capital Assets

	Net Book Value	
	2014	2013
Land	**$ 20,376**	$ 20,376
Building	**1,117**	1,186
Golf course improvements	**810**	773
Equipment	**380**	324
	$ 22,683	$ 22,659

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

7. Accumulated Surplus

	2014	2013
Contributed surplus	**$ 20,574**	$ 20,574
Deficit	**(8,460)**	(9,290)
	$ 12,114	$ 11,284

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) An amount of $17 thousand (2013 - $16 thousand) has been transferred to the City of Winnipeg - General Revenue Fund for general government charges, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency;

b) No amount (2013- $57 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;

c) An amount of $125 thousand (2013 - $189 thousand) has been charged by The City of Winnipeg - Municipal Accommodations Fund for services provided at the various golf courses;

d) An amount of $81 thousand (2013 - $234 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance and rental on vehicles and equipment owned/leased by the Agency;

e) An amount of $4 thousand (2013 - $6 thousand) has been charged by The City of Winnipeg Water and Waste Department for landfill tipping fees.

9. Commitments

The Agency has entered into a lease agreement with a third party for the lease of a building facility for a 25 year term until 2040. Future minimum annual lease payments are as follows:

	Operating Leases
2015	$ 41
2016	41
2017	41
2018 and thereafter	908
	$ 1,031

10. Comparative Figures

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

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 2014	Total 2013
Cost						
Balance, beginning of year	**$ 20,376**	**$ 2,277**	**$ 1,582**	**$ 1,092**	**$ 25,327**	$ 25,281
Add:						
Additions during the year	**-**	**23**	**115**	**95**	**233**	46
Less:						
Disposals during the year	**-**	**-**	**(424)**	**-**	**(424)**	-
Balance, end of year	**20,376**	**2,300**	**1,273**	**1,187**	**25,136**	25,327
Accumulated amortization						
Balance, beginning of year	**-**	**1,091**	**1,258**	**319**	**2,668**	2,441
Add:						
Amortization	**-**	**92**	**59**	**58**	**209**	227
Less:						
Accumulated amortization on disposals	**-**	**-**	**(424)**	**-**	**(424)**	-
Balance, end of year	**-**	**1,183**	**893**	**377**	**2,453**	2,668
Net Book Value of Tangible Capital Assets	**$ 20,376**	**$ 1,117**	**$ 380**	**$ 810**	**$ 22,683**	$ 22,659


PHOTO: Dan Harper

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2014	2013
FINANCIAL ASSETS		
Accounts receivable	**$ 98**	$ 83
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**2,781**	9,738
Accounts payable and accrued liabilities	**1,265**	1,350
Debt (Note 4)	**37,296**	37,032
Accrued employee benefits (Note 5a)	**1,605**	1,499
	42,947	49,619
NET FINANCIAL LIABILITIES	**(42,849)**	(49,536)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**62,387**	69,649
Inventories	**1,758**	1,706
Prepaid expenses	**513**	511
	64,658	71,866
ACCUMULATED SURPLUS	**$ 21,809**	$ 22,330

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 2014	**Actual 2014**	Actual 2013
REVENUES			
Fleet leases	**$ 29,707**	**$ 27,000**	$ 26,030
Fuel sales	**9,144**	**9,639**	9,158
Services and parts revenue (Schedule 1)	**7,921**	**8,428**	7,791
Rental income	**2,612**	**3,592**	3,294
Gain on sale of tangible capital assets	**100**	**418**	129
Total Revenues	**49,484**	**49,077**	46,402
EXPENSES			
Amortization	**15,845**	**14,592**	13,566
Supplies	**11,620**	**12,210**	11,769
Services	**6,540**	**9,053**	8,003
Salaries and employee benefits	**10,034**	**8,997**	8,851
Interest (Notes 3 and 4)	**2,153**	**1,472**	1,647
Other expenses	**1,342**	**1,432**	1,173
Total Expenses	**47,534**	**47,756**	45,009
Annual Surplus Before Other	**1,950**	**1,321**	1,393
OTHER			
Transfer to The City of Winnipeg - General Revenue Fund (Note 8e)	**1,750**	**1,842**	2,750
Annual (Deficit) Surplus	**$ 200**	**(521)**	(1,357)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**22,330**	23,687
ACCUMULATED SURPLUS, END OF YEAR		**$ 21,809**	$ 22,330

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)

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual (Deficit) Surplus	**$ (521)**	$ (1,357)
Non-cash charges to operations		
Amortization	**14,592**	13,566
Gain on sale of tangible capital assets	**(418)**	(129)
	13,653	12,080
Net change in non-cash working capital balances related to operations	**(48)**	128
Cash provided by operating activities	**13,605**	12,208
CAPITAL		
Acquisition of tangible capital assets	**(7,413)**	(13,989)
Proceeds on disposal of tangible capital assets	**501**	1,068
Cash used in capital activities	**(6,912)**	(12,921)
FINANCING		
Change in due to/from The City of Winnipeg - General Revenue Fund	**(6,957)**	10,932
Proceeds from term loans	**11,000**	-
Repayment of term loans	**(10,736)**	(10,219)
Cash provided by (used in) financing activities	**(6,693)**	713
CASH, BEGINNING OF YEAR	**-**	
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Budget 2014	Actual 2014	Actual 2013
ANNUAL (DEFICIT) SURPLUS	**$ 200**	**$ (521)**	$ (1,357)
Amortization of tangible capital assets	**15,845**	**14,592**	13,566
Proceeds on disposal of tangible capital assets	**100**	**501**	1,068
Change in inventories and prepaid expenses	**(56)**	**(54)**	14
Gain on sale of tangible capital assets	**(100)**	**(418)**	(129)
Acquisition of tangible capital assets	**(21,659)**	**(7,413)**	(13,989)
(INCREASE) DECREASE IN NET FINANCIAL LIABILITIES	**(5,670)**	**6,687**	(827)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(58,347)**	**(49,536)**	(48,709)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (64,017)**	**$ (42,849)**	$ (49,536)

See accompanying notes and schedules to the financial statements

1. *Status of the Winnipeg Fleet Management Agency*

On May 28, 2003, City Council adopted the Winnipeg Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency effective January 1, 2003.

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

2. *Significant Accounting Policies*

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

a) Basis of accounting

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

b) Non-financial assets

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

i) Tangible capital assets

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

Tangible capital assets are amortized on the basis of their cost less approximate residual value over their estimated useful lives using the following rates and methods:

Buildings	4% to 8%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	1 to 15 years	Straight-line
Equipment	3% to 30%	Straight-line

Amortization begins once an asset is placed into service.

2. *Significant Accounting Policies (continued)*

ii) Inventories

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

c) Revenue recognition

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

d) Government transfers

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

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

e) Employee benefit plan

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

f) Estimates

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

3. *Due to/from The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to/from" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2014 effective interest rate was 0.9% (2013 - 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 $39 thousand (2013 - $18 thousand). Interest received from The City of Winnipeg - General Revenue Fund was $6 thousand (2013 - $2 thousand).

4. *Debt*

Lender	Maturity Date	Interest Rate	2014	2013
Royal Bank of Canada (Note 4b)	2015 - 2020	1.9% - 5.20%	**$ 18,008**	$ 11,365
The Toronto-Dominion Bank (Note 4b)	2015 - 2021	2.17% - 4.14%	**19,110**	25,489
			37,118	36,854
The City of Winnipeg - non-interest bearing, no repayment schedule			**178**	178
			$ 37,296	$ 37,032

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

2015	$ 10,497
2016	8,599
2017	6,965
2018	5,332
2019	2,988
Thereafter	2,737
	$ 37,118

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, 2014, $37,118 thousand (2013 - $36,854 thousand) was outstanding under these facilities. The effective interest rate at December 31, 2014 was 3.9% (2013 - 3.9%).

c) Cash paid for interest during the year is $1,434 thousand (2013 - $1,650 thousand).

5. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	2014	2013
Vacation	**$ 633**	$ 641
Retirement allowance - accrued liability	**825**	725
Compensated absences	**147**	133
	$ 1,605	$ 1,499

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

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was calculated as of July 31, 2014. The results of this valuation were extrapolated to the financial reporting date of December 31, 2014 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.

5. *Accrued Employee Benefits (continued)*

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

	2014		2013	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 895**	**$ 214**	$ 840	$ 217
Current service cost	**49**	**16**	53	16
Interest cost	**34**	**8**	32	8
Benefit payments	**-**	**(18)**	(3)	(20)
Amortization of net actuarial loss	**(255)**	**224**	(27)	(7)
Balance, end of year	**723**	**444**	895	214
Unamortized net actuarial gain/loss	**102**	**(297)**	(170)	(81)
Accrued benefit liability	**$ 825**	**$ 147**	$ 725	$ 133
Benefit expense consists of the following:				
Current service cost	**$ 49**	**$ 16**	$ 53	$ 16
Interest cost	**34**	**8**	32	8
Amortization of net actuarial loss	**17**	**8**	20	9
	$ 100	**$ 32**	$ 105	$ 33
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 725**	**$ 133**	$ 623	$ 120
Benefits expense	**100**	**32**	105	33
Benefits payments	**-**	**(18)**	(3)	(20)
Balance, end of year	**$ 825**	**$ 147**	$ 725	$ 133

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

	2014	2013
Valuation interest rate	2.9%	3.7%
General increases in pay	2.5%	3.5%

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

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $727 thousand (2013 - $671 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, 2013 and it has an actuarial surplus.

6. *Tangible Capital Assets*

	Net Book Value 2014	2013
Land	**$ 390**	$ 390
Buildings	**2,263**	2,383
Fleet assets	**56,272**	63,293
Equipment	**3,462**	3,583
	$ 62,387	$ 69,649

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

The net book value of fleet assets not yet in service is $2,254 thousand (2013 - $3,895 thousand), and equipment not yet in service is $nil (2013 - $nil).

Fleet assets written off during the year is $nil (2013 - $nil). Interest capitalized during 2014 is $nil (2013 - $nil).

7. *Accumulated Surplus*

	2014	2013
Contributed surplus	**$ 11,425**	$ 11,425
Surplus	**10,384**	10,905
	$ 21,809	$ 22,330

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 related party transactions that occurred are as follows:

a) Revenues include sales of goods and services of $46,971 thousand (2013 - $44,657 thousand) to The City of Winnipeg.

b) An amount of $1,219 thousand (2013 - $1,083 thousand) has been transferred to the General Revenue Fund for operator training and miscellaneous services.

c) An amount of $894 thousand (2013 - $556 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 (2013 - $2 thousand) has been transferred to the Parking Services Agency for miscellaneous services.

e) An amount of $1,842 thousand (2013 - $2,750 thousand) has been transferred to the General Revenue Fund as a return on investment.

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 2014	**Actual 2014**	Actual 2013
Consumables and corrective maintenance	**$ 4,095**	**$ 3,955**	$ 3,753
Insurance revenue	**1,766**	**1,794**	1,703
Power tools	**772**	**772**	757
Manufacturing sales	**457**	**928**	690
Autopac rebate	**472**	**592**	581
Other	**203**	**228**	155
Provincial support grant	**156**	**159**	152
	$ 7,921	**$ 8,428**	$ 7,791

Schedule 2

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	Equipment	Total 2014	Total 2013
Cost						
Balance, beginning of year	$ 390	$ 3,710	$ 135,868	$ 6,763	$ 146,731	$ 135,156
Add:						
Additions during the year	-	46	7,152	215	7,413	13,989
Less:						
Disposals during the year	-	-	(2,162)	-	(2,162)	(2,414)
Balance, end of year	390	3,756	140,858	6,978	151,982	146,731
Accumulated amortization						
Balance, beginning of year	-	1,327	72,576	3,179	77,082	64,991
Add:						
Amortization	-	166	14,089	337	14,592	13,566
Less:						
Accumulated amortization on disposals	-	-	(2,079)	-	(2,079)	(1,475)
Balance, end of year	-	1,493	84,586	3,516	89,595	77,082
Net Book Value of Tangible Capital Assets	$ 390	$ 2,263	$ 56,272	$ 3,462	$ 62,387	$ 69,649

PHOTO: Aaron Cohen

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2014	2013
FINANCIAL ASSETS		
Cash	**$ 48**	$ 29
Accounts receivable	**4,848**	4,258
Due from The City of Winnipeg - Land Operating Reserve (Note 3)	**10,000**	10,000
	14,896	14,287
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 4)	**1,570**	1,489
Accounts payable and accrued liabilities	**621**	922
Deferred revenue	**120**	115
Debt (Note 5)	**3,918**	4,612
Accrued employee benefits (Note 6)	**198**	288
	6,427	7,426
NET FINANCIAL ASSETS	**8,469**	6,861
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**9,020**	9,890
Inventories	**209**	201
Prepaid expenses	**1**	48
	9,230	10,139
ACCUMULATED SURPLUS (Note 8)	**$ 17,699**	$ 17,000

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 2014	**Actual 2014**	Actual 2013
REVENUES			
Enforcement (Note 10)	**$ 8,554**	**$ 8,497**	$ 7,742
Meters	**5,186**	**5,866**	5,664
Parking fees (Note 11a)			
Surface parking lots	**1,372**	**1,403**	1,362
Millennium Library parkade	**944**	**563**	580
Civic Centre parkade	**-**	**-**	4
Special events	**365**	**410**	300
Parking permits	**97**	**91**	100
Sundry	**46**	**40**	44
Total Revenues	**16,564**	**16,870**	15,796
EXPENSES			
Services (Notes 11c, f, h and k)			
Enforcement - contracts	**2,761**	**2,841**	2,680
Utilities	**1,046**	**1,049**	1,033
Parkade management	**255**	**243**	255
Meters	**41**	**37**	32
Special events	**131**	**127**	126
Other services (Note 11e)	**2,384**	**2,342**	2,404
Salaries and employee benefits (Note 6)	**3,311**	**2,540**	2,371
Amortization	**1,679**	**1,543**	1,546
Material, parts and supplies	**1,397**	**1,166**	1,192
Provision for bad debts	**1,030**	**1,074**	1,367
Debt and finance charges (Notes 4 and 5b)	**152**	**165**	178
Recoveries	**-**	**(6)**	(18)
Other (Notes 11b, d, g, i and j)	**1,283**	**1,050**	1,239
Total Expenses	**15,470**	**14,171**	14,405
Excess Revenues over Expenses before Other	**1,094**	**2,699**	1,391
OTHER			
Transfer to The City of Winnipeg - General Revenue Fund (Note 11l)	**2,000**	**2,000**	-
Annual Excess (Deficiency) Revenues over Expenses	**(906)**	**699**	1,391
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**17,000**	**17,000**	15,609
ACCUMULATED SURPLUS, END OF YEAR	**$ 16,094**	**$ 17,699**	$ 17,000

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)

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	**$ 699**	$ 1,391
Non-cash items related to operations		
Loss on sale of tangible capital assets	**13**	-
Amortization	**1,543**	1,546
Retirement allowance and compensated absences	**14**	15
	2,269	2,952
Net change in non-cash working capital balances related to operations	**(951)**	376
Cash provided by operating activities	**1,318**	3,328
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**81**	1,690
Repayment of debt	**(694)**	(1,410)
Cash used in financing activities	**(613)**	280
CAPITAL		
Purchase of tangible capital assets	**(686)**	(3,632)
Cash used in capital activities	**(686)**	(3,632)
INCREASE (DECREASE) IN CASH	**19**	(24)
CASH, BEGINNING OF YEAR	**29**	53
CASH, END OF YEAR	**$ 48**	$ 29

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 2014	Actual 2014	Actual 2013
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ (906)	$ 699	$ 1,391
Amortization of tangible capital assets	1,679	1,543	1,546
Change in inventories and prepaid expenses	-	39	(127)
Loss on sale of tangible capital assets	-	13	-
Acquisition of tangible capital assets	(649)	(686)	(3,632)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	124	1,608	(822)
NET FINANCIAL ASSETS , BEGINNING OF YEAR	4,982	6,861	7,683
NET FINANCIAL ASSETS, END OF YEAR	$ 5,106	$ 8,469	$ 6,861

See accompanying notes and schedule to the financial statements

1. Description of Business

On March 20, 1997, City Council adopted the Reshaping Our Civic Government document identifying the development of Special Operating Agencies ("SOA") as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, City Council adopted the 1999 Alternative Service Delivery Review Agenda which identified the municipal parking services operations as an Alternative Services Delivery ("ASD") candidate. A feasibility study was subsequently prepared and presented to the ASD Committee.

On December 11, 2002, City Council adopted the recommendation of the ASD Committee that an Operating Charter and Business Plan for a SOA with a mandate to manage and be accountable for city-owned parking resources, be prepared for consideration by City Council.

The Winnipeg Parking Authority - Special Operating Agency ("the Agency") was created effective October 27, 2004 and commenced operations on January 1, 2005.

The Agency manages the parking facilities and related assets owned and previously operated by The City of Winnipeg ("the City"). The intent of the Agency is to provide excellent customer service, maximize the annual return of parking operations, and ensure its long-term sustainability.

2. Significant Accounting Policies

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

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which it is earned provided it is measurable and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Deferred revenue

Certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or services performed.

c) Non-financial assets

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

2. *Significant Accounting Policies (continued)*

i) Tangible capital assets

Land and equipment were transferred January 1, 2005 from the City at a fair market value as determined by independent consultants.

Property, equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. The amortization rates are as follows:

Leasehold improvements	15 Years
Parking surfaces	5%
Parkades	4%
Vehicles	20%
Meters and pay stations	10%
Equipment	10-20%
Computer equipment	33%
Office furniture and equipment	20%
Parkade betterments	5%

ii) Leases

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

iii) Inventories

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

d) Employee benefit plan

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

e) Use of estimates

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

3. *Due from The City of Winnipeg - Land Operating Reserve*

In 2010, Winnipeg Square Parkade was sold and the proceeds of disposition were deposited to The City of Winnipeg - Land Operating Reserve. There is no specific repayment terms on the receivable.

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

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due from/to" account when they are processed through the bank. Interest is charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account. The December 31, 2014 effective interest rate was 0.95% (2013 - 0.95%).

Interest paid on The City of Winnipeg General Revenue Fund on the line of credit was $7 thousand for the year (2013 - received $1 thousand).

5. Debt

	2014	2013
The City of Winnipeg - General Revenue Fund		
Start-up loan with no specific terms of repayment	**$ 3,918**	$ 3,918
Equipment financing		
Loan paid in full during the year	**-**	694
	$ 3,918	$ 4,612

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2013 - $nil).

6. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2014	2013
Vacation	**$ 73**	$ 177
Retirement allowance - accrued benefit liability	**96**	83
Compensated absences	**29**	28
	$ 198	$ 288

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

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, 2014. The results of this valuation were extrapolated to the financial reporting date of December 31, 2014 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:

	2014		2013	
	Retirement Allowance	**Compensated Absences**	Retirement Allowance	Compensated Absences
Accrued benefit liability:				
Balance, beginning of year	**$ 103**	**$ 15**	$ 101	$ 13
Current service cost	**7**	**2**	7	1
Interest cost	**4**	**1**	4	1
Benefit payments	**-**	**(1)**	-	-
Net actuarial (gain)/loss	**29**	**87**	(9)	-
Balance, end of year	**143**	**104**	103	15
Unamortized net actuarial (loss)/gain	**(47)**	**(75)**	(20)	13
Accrued benefit liability	**$ 96**	**$ 29**	$ 83	$ 28
Benefit expense:				
Current service cost	**$ 7**	**$ 2**	$ 7	$ 1
Interest cost	**4**	**1**	4	1
Amortization of net actuarial (gain)/loss	**2**	**(1)**	4	(2)
	$ 13	**$ 2**	$ 15	$ -
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 83**	**$ 28**	$ 68	$ 28
Benefit expense	**13**	**2**	15	-
Benefit payments	**-**	**(1)**	-	-
	$ 96	**$ 29**	$ 83	$ 28

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

	2014	2013
Valuation interest rate	**2.90%**	3.70%
General increases in pay	**2.50%**	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, $214 thousand (2013 - $175 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, 2013 and it has an actuarial surplus.

7. Tangible Capital Assets

	Net Book Value 2014	Net Book Value 2013
Land	**$ 73**	$ 73
Parkades	**4,772**	4,380
Authority assets		
Leasehold improvements	**243**	280
Parking surfaces	**290**	324
	533	604
Equipment		
Vehicles	**1**	21
Meters and pay stations	**3,456**	4,487
Equipment	**182**	255
Computer equipment	**1**	59
Office furniture and equipment	**2**	11
	3,642	4,833
	$ 9,020	$ 9,890

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

During the year, $13 thousand (2013 - $nil) of tangible capital assets were written-down.

8. Accumulated Surplus

	Budget 2014	**Actual 2014**	Actual 2013
Capital	**$ 15,185**	**$ 15,185**	$ 15,185
Contributed surplus	**172**	**172**	172
Operating	**737**	**2,342**	1,643
	$ 16,094	**$ 17,699**	$ 17,000

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
2015	$ 62
2016	34
2017	14
2018 and thereafter	5
	$ 115

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. Any collection of pre-2005 enforcement receivable is recorded using the cash basis of accounting. The Agency accounted for $339 thousand (2013 - $59 thousand) during 2014.

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 $290 thousand (2013 - $329 thousand) to the City.

b) An amount of $38 thousand (2013 - $37 thousand) for general government charges has been included and paid to The City of Winnipeg General Revenue Fund which represents the estimated share of the City's general expenses applicable to the Agency.

c) In Services, an amount of $137 thousand (2013 - $137 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.

d) An amount of $288 thousand (2013 - $286 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 $152 thousand (2013 - $114 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 (2013 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

g) An amount of $192 thousand (2013 - $418 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 $406 thousand (2013 - $372 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) An amount of $133 thousand (2013 - $133 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost for 311 services.

j) An amount of $42 thousand (2013 - $42 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

k) In Services, an amount of $nil (2013 - $24 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for flange repairs made to paystations.

l) An amount of $2,000 thousand (2013 - $nil) has been transferred to The City of Winnipeg General Revenue Fund as a return on investment.

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 2014	Total 2013
Cost						
Balance, beginning of year	$ 73	$ 5,004	$ 998	$ 12,096	$ 18,171	$ 14,539
Add:						
Additions during the year	-	641		45	686	3,632
Less:						
Write-down of tangible capital assets	-	-	-	-	-	-
Disposals during the year	-	-	(22)	-	(22)	-
Balance, end of year	73	5,645	976	12,141	18,835	18,171
Accumulated amortization						
Balance, beginning of year	-	624	395	7,262	8,281	6,735
Add:						
Amortization	-	249	57	1,237	1,543	1,546
Less:						
Write-down of tangible capital assets	-	-	-		-	-
Accumulated amortization on disposals	-	-	(9)	-	(9)	-
Balance, end of year	-	873	443	8,499	9,815	8,281
Net Book Value of Tangible Capital Assets	$ 73	$ 4,772	$ 533	$ 3,642	$ 9,020	$ 9,890

PHOTO: Jacqueline Young

2014 WHOLLY OWNED CORPORATIONS

DETAILED FINANCIAL STATEMENTS

THE CONVENTION CENTRE CORPORATION

STATEMENT OF REVENUES AND EXPENDITURES

Year Ended December 31

	2014	2013
Operating revenue (Note 14)	**$ 13,234,363**	$ 13,432,647
Operating costs	**6,347,931**	6,412,597
Net operating revenue	**6,886,432**	7,020,050
General operating grant (Note 13)		
City of Winnipeg	**1,500,000**	1,500,000
Province of Manitoba	**1,406,000**	1,406,000
	2,906,000	2,906,000
	9,792,432	9,926,050
Expenditures		
Accounting and financial services and human resources	**834,827**	835,478
Administration	**2,007,474**	1,945,348
Building maintenance	**3,755,998**	3,712,714
Client services	**1,123,636**	1,118,126
Sales and promotion	**957,268**	918,421
Security	**506,327**	489,737
	9,185,530	9,019,824
Operating fund excess of revenue over expenditures	**606,902**	906,226
City of Winnipeg debt servicing grants		
Debentures (Note 13)	**376,627**	423,837
Recognition of deferred contributions related to capital assets (Notes 5, 6 and 7)	**688,376**	750,778
Amortization of capital assets (Note 3)	**(990,207)**	(1,287,336)
Interest on City of Winnipeg debentures	**(151,301)**	(156,145)
Excess of revenue over expenditures	**$ 530,397**	$ 637,360

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FUND BALANCES

Year ended December 31

	2014	2013
BALANCE, beginning of year	**$ 3,507,557**	$ 2,870,197
Excess of revenue over expenditures	**530,397**	637,360
BALANCE, end of year	**$ 4,037,954**	$ 3,507,557

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31

	2014	2013 (Note 20)
ASSETS		
Current		
Cash	**$ 1,996,103**	$ 8,196,393
Accounts receivable	**1,707,156**	1,395,425
Receivable - expansion (Note 8)	**13,098,326**	6,147,510
Inventory	**201,034**	203,714
Prepaid expenses	**67,875**	72,609
Prepaid expenses - expansion	**131,412**	110,155
	17,201,906	16,125,806
Long-term prepaid expenses - expansion	**44,246**	149,087
Long-term receivable	**241,667**	-
Capital assets (Note 3)	**112,908,552**	44,605,383
	$ 130,396,371	$ 60,880,276
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 2,153,572**	$ 2,545,472
Accounts payable - expansion	**6,415,840**	3,035,710
Customer deposits and unearned revenue	**611,018**	597,347
Advance - expansion (Note 8)	**7,608,298**	8,366,436
Current portion of City of Winnipeg debentures (Note 4)	**147,146**	232,827
Due to Province of Manitoba (Note 10)	**7,000,000**	-
	23,935,874	14,777,792
City of Winnipeg debentures (Note 4)	**-**	139,645
Deferred contributions related to capital assets (Note 5)	**94,933**	327,715
Deferred funding - wall cladding replacement and stabilization (Note 6)	**2,617,123**	2,947,082
Deferred funding - roof replacement (Note 7)	**2,711,634**	2,837,269
Deferred funding - expansion (Note 8)	**96,998,853**	29,343,216
Due to Province of Manitoba (Note 10)	**-**	7,000,000
	126,358,417	57,372,719
FUND BALANCES		
Operating fund	**530,600**	520,200
Restricted fund	**3,172,538**	1,213,527
Invested in capital assets (Note 12)	**334,816**	1,773,830
	4,037,954	3,507,557
	$ 130,396,371	$ 60,880,276

Inter-fund loan (Note 11) & Commitments (Note 17)

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31

	2014	2013
Increase (decrease) in cash and cash equivalents		
OPERATING		
Excess of revenue over expenditures	**$ 530,397**	$ 637,360
Adjustments for:		
amortization of capital assets	**990,207**	1,287,336
recognition of deferred contributions related to capital assets	**(688,376)**	(750,778)
	832,228	1,173,918
Net changes in working capital balances		
Accounts receivable	**(311,731)**	(123,183)
Expansion funding receivable	**(6,950,816)**	(1,223,303)
Inventory	**2,680**	4,008
Prepaid expenses	**4,734**	(18,202)
Prepaid expenses - expansion	**(21,257)**	(110,155)
Long-term receivable	**(241,667)**	-
Long-term prepaid expenses - expansion	**104,841**	(149,087)
Accounts payable and accrued liabilities	**(391,900)**	(2,265)
Accounts payable related to expansion	**3,380,130**	(1,650,235)
Customer deposits and unearned revenue	**13,671**	(12,092)
	(3,579,087)	(2,110,596)
FINANCING		
City of Winnipeg debenture repayments	**(225,326)**	(258,821)
CAPITAL		
Major repair and replacement expenditures	**(85,817)**	(140,754)
Expansion costs	**(69,207,559)**	(24,458,810)
Advance of expansion funding	**(758,138)**	8,366,436
Deferred funding for expansion received	**67,655,637**	24,419,009
	(2,395,877)	8,185,881
NET (DECREASE) INCREASE IN CASH	**(6,200,290)**	5,816,464
Cash and cash equivalents, net of bank indebtedness		
Beginning of year	**8,196,393**	2,379,929
End of year	**$ 1,996,103**	$ 8,196,393

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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-profi organizations in Sections PS 4200 to PS 4270 of the CICA Public Sector Accounting Handbook.

Fund method of accounting

Operating Fund
Under the fund method of accounting the excess of operating revenue over expenditures is allocated to the Operating Fund. Any additions to the Operating Fund may be transferred to the Restricted Fund for future expenditures or major repairs and replacements by Board of Directors resolution. It is the policy of the Corporation to retain a defined sufficient amount in the Operating Fund to fund future operations, and if necessary, to transfer funds from the Restricted Fund to meet the defined objective

Restricted Fund
The Restricted Fund represents the excess of revenues over expenditures that are internally restricted by board resolution for future expenditures or major repairs and replacements on capital assets. As capital assets are acquired, a like amount is transferred from the Restricted Fund to the Invested in Capital Assets Fund.

Invested in Capital Assets Fund
This fund represents the unamortized investment in capital assets net of amounts funded by grants and debentures. The Invested in Capital Asset Fund is reduced by the amortization of such assets

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
Assets under construction	-	not amortized until completed
Art Holdings	-	not amortized

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.

Financial instruments

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

Initial measurement

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

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

Subsequent measurement

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

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

2. Summary of Significant Accounting Policies (continued)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets liabilities, revenues and expenses. Management believes its estimates to be appropriate; however actual results could differ from the amounts estimated.

3. Capital Assets

			Net Book Value	
	Cost	**Accumulated Depreciation**	**2014**	2013
Land	**$ 7,130,880**	**$ -**	**$ 7,130,880**	$ 7,130,880
Major capital expenditures	**2,000,000**	**1,995,253**	**4,747**	16,818
Revitalization program				
City of Winnipeg portion	**3,000,000**	**2,857,601**	**142,399**	355,655
Province of Manitoba portion	**2,000,000**	**1,905,067**	**94,933**	244,211
Major repair and replacement	**12,924,589**	**12,753,253**	**171,336**	245,527
Wall cladding replacement	**6,599,175**	**3,982,052**	**2,617,123**	2,947,082
Roof replacement	**3,140,880**	**429,246**	**2,711,634**	2,837,269
Expansion project under construction	**100,002,900**	**-**	**100,002,900**	30,795,341
Art holdings	**32,600**	**-**	**32,600**	32,600
	$ 136,831,024	**$ 23,922,472**	**$ 112,908,552**	$ 44,605,383

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

Province of Manitoba portion

The revitalization programs funded by the Province are carried at cost and amortized at the same rate as the City of Winnipeg revitalization program assets.

3. Capital Assets (continued)

Major repair and replacement

A portion of major repairs and replacements incurred after 1993 have been funded by grants from the City of Winnipeg and the Province of Manitoba. The assets are carried at cost and amortized over their estimated useful life. The funded portion included with deferred contributions related to capital assets, is recognized on the same basis. Assets not available for use, for which no amortization is being taken, of $59,179 (2013 - $nil) are included in the major repairs and replacement cost balance.

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 contributions and is 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.

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 contributions and is amortized to income at the same rate as the asset is amortized.

Expansion project under construction

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

Interest on directly attributable debt is capitalized during the construction period. Interest in the amount of $nil (2013: $55,872) was capitalized during the year and included in the expansion project under construction balance.

Amortization expenses

	2014	2013
Major capital expenditures	**$ 12,071**	$ 44,243
Revitalization program:		
City of Winnipeg portion	**213,256**	214,578
Province of Manitoba portion	**149,278**	143,052
Major repair and replacement	**160,008**	429,443
Wall cladding replacement	**329,959**	329,959
Roof replacement	**125,635**	126,061
	$ 990,207	$ 1,287,336

4. *City of Winnipeg Debentures*

	Debenture	Sinking Fund	Net of Sinking Fund 2014	Net of Sinking Fund 2013
For revitalization program expenditures:				
Bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of $90,728 earning interest at 5%	$ 3,000,000	$ 2,857,601	**$ 142,399**	$ 360,267
For major capital expenditures:				
Sinking Fund Debenture, bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of $3,024 earning interest at 5%	100,000	95,253	**4,747**	12,205
	$ 3,100,000	2,952,854	**147,146**	372,472
Current portion			**147,146**	232,827
			$ -	$ 139,645

Principal due within the next year is as follows:

2015	$ 147,146

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.

5. *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

	2014	2013
Beginning balance	**$ 327,715**	$ 622,473
Deduct amounts recognized as revenue:		
Major repair and replacement expenditures	**(89,618)**	(151,594)
Provincial portion of revitalization program expenditures	**(143,164)**	(143,164)
	$ 94,933	$ 327,715

6. *Deferred Funding - Wall Cladding Replacement and Stabilization*

Deferred funding - wall cladding replacement and stabilization represent restricted contributions from the City of Winnipeg and the Province of Manitoba for the funding of the wall cladding replacement and stabilization project more fully disclosed in Note 3. This amount is being amortized into income as the related asset is amortized.

		2014		2013
Beginning balance	**$**	**2,947,082**	$	3,277,041
Deduct amount amortized to revenue		**(329,959)**		(329,959)
	$	**2,617,123**	$	2,947,082

7. *Deferred Funding - Roof Replacement*

Deferred funding - roof replacement represents restricted contributions from the City of Winnipeg and the Province of Manitoba for the funding of the roof replacement project more fully disclosed in Note 3. This amount is being amortized into income as the related asset is amortized.

		2014		2013
Beginning balance	$	**2,837,269**	$	2,963,330
Deduct amount amortized to revenue		**(125,635)**		(126,061)
	$	**2,711,634**	$	2,837,269

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

In order to finance the cost of the expansion, the Corporation entered into agreements with the City of Winnipeg for funding of up to $51,000,000, the Province of Manitoba for funding of up to $51,000,000, and the Government of Canada for funding of up to $46,646,667.

The funding received is being deferred until the completion of the project and will be amortized on the same basis as the related asset. Deferred funding - expansion at December 31 are as follows:

		2014		2013
City of Winnipeg	$	**31,743,338**	$	4,203,926
Province of Manitoba		**32,329,723**		9,780,084
Government of Canada		**32,925,792**		15,359,206
	$	**96,998,853**	$	29,343,216

During the year, the Province of Manitoba advanced a portion of their funding requirement for which eligible expenditures had not yet been incurred. The balance of this advance on hand at December 31, 2014 is $7,608,298 (2013 - $8,366,436). As eligible expenditures arise, the advance will be utilized.

Certain funding requirements were due at December 31 as follows:

		2014		2013
City of Winnipeg	$	**9,045,105**	$	205,298
Government of Canada		**4,053,221**		5,942,212
	$	**13,098,326**	$	6,147,510

8. Receivable - Expansion; Advance - Expansion; Deferred Funding - Expansion (continued)

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

9. 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, 2014 and December 31, 2013 is nil.

10. Due to Province of Manitoba

Pursuant to an agreement made in 2012, the Province of Manitoba sold land to the City of Winnipeg, for the purpose of the expansion of the Centre. The City of Winnipeg is the registered owner of the land. However, the Centre, as the beneficial owner of the land, agreed to pay the $7,000,000 purchase price to the Province of Manitoba. The purchase price will be payable at the earliest of:

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

11. Inter-fund loan

Effective December 31, 2014 an inter-fund loan was made from the Operating Fund to Invested in Capital Assets in the amount of $3,179,705. This loan is non-interest bearing and will be repaid when funds are drawn from the credit facility available for the expansion.

12. Invested in capital assets

Investment in capital assets

	2014	2013
Capital assets	**$ 112,908,552**	$ 44,605,383
Prepaids - expansion	**131,412**	-
Long-term prepaids - expansion	**44,246**	-
Amounts financed by		
Accounts payable	**-**	(3,799)
City of Winnipeg debentures	**(147,146)**	(372,472)
Deferred contributions	**(94,933)**	(327,715)
Deferred funding - wall cladding	**(2,617,123)**	(2,947,082)
Deferred funding - roof replacement	**(2,711,634)**	(2,837,269)
Deferred funding - expansion	**(96,998,853)**	(29,343,216)
Due to Province of Manitoba - land purchase	**(7,000,000)**	(7,000,000)
Inter-fund loan from operating fund (Note 11)	**(3,179,705)**	-
	$ 334,816	$ 1,773,830

Changes in net assets invested in capital assets	2014	2013
Deficiency of revenue over expenditures	**$ (76,505)**	$ (277,663)
Payment of accounts payable	**3,799**	-
Purchase of capital assets, net of disposals	**69,293,376**	30,936,095
Purchase of prepaids by capital fund	**175,658**	-
Deferred funding - expansion received	**(67,655,637)**	(29,343,216)
Inter-fund loan from operating fund received (Note 11)	**(3,179,705)**	-
	$ (1,439,014)	$ 1,315,216

13. Grants

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

	2014	2013
City of Winnipeg	**$ 1,876,627**	$ 1,923,837
Province of Manitoba	**1,406,000**	1,406,000
	$ 3,282,627	$ 3,329,837
The grants are allocated as follows:		
General operating grant	**$ 2,906,000**	$ 2,906,000
Debt service		
- City of Winnipeg debenture	**376,627**	423,837
	$ 3,282,627	$ 3,329,837

14. *Related Party Transactions*

In addition to the grants and contributions received from the City of Winnipeg and the Province of Manitoba (Notes 5, 6, 7, and 8), the City of Winnipeg debentures (Note 4), and the payable to the Province of Manitoba (Note 10), the Corporation had the following transactions with these related parties during the year.

Operating revenues of $246,236 (2013: $300,108) 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.

15. *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.

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, 2014 and December 31, 2013.

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.

15. *Financial Instruments (continued)*

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, 2014, 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	$ 2,153,572	$ -
Accounts payable - expansion	6,415,840	-
City of Winnipeg debentures	147,146	-
Payable to Province of Manitoba	7,000,000	-
	$ 15,716,558	$ -

16. *Comparison to Budgeted Results*

	Actual 2014	Budget 2014 (Unaudited)	Variance
Operating revenue	**$ 13,234,363**	$ 13,020,370	$ 213,993
Operating costs	**6,347,931**	6,336,919	11,012
Net operating revenue	**6,886,432**	6,683,451	202,981
General Operating grants	**3,282,627**	3,282,727	(100)
	10,169,059	9,966,178	202,881
Expenditures	**9,185,530**	9,589,551	(404,021)
General operating grant allocated to debenture repayments	**376,627**	376,627	-
Operating fund excess of revenue over expenditures	**$ 606,902**	$ -	$ 606,902

17. *Commitments*

The Corporation has entered into service contracts for elevator maintenance, housekeeping and security services. These contracts expire at different periods between 2015 and 2017.

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

2015	1,199,512
2016	1,007,553
2017	358,028

18. 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 2014 were $479,822 (2013 - $474,910).

19. 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.

20. Comparative figures

Certain of the 2013 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2014.

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

	2014	2013
ASSETS		
Cash	**$ 56**	$ 142,157
Accounts receivable (Note 3)	**1,129,154**	1,074,196
	$ 1,129,210	$ 1,216,353
LIABILITIES		
Due to City of Winnipeg - General Revenue Fund (Note 4)	**$ 973,021**	$ 960,147
Debt (Note 5)	**-**	141,221
	973,021	1,101,368
NET ASSETS	**156,189**	114,985
	$ 1,129,210	$ 1,216,353

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the years ended December 31
(unaudited)

	2014	2013
REVENUES		
Interest (Note 3)	**$ 54,958**	$ 52,283
Entertainment funding tax - Winnipeg Football Club (Note 3)	**-**	230,637
	54,958	282,920
EXPENSES		
Interest on debt and other finance charges	**13,375**	28,062
Professional fees	**379**	354
	13,754	28,416
NET INCOME FOR THE YEAR	**41,204**	254,504
NET ASSETS (CAPITAL DEFICIENCY) - BEGINNING OF YEAR	**114,985**	(139,519)
NET ASSETS - END OF YEAR	**$ 156,189**	$ 114,985

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(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. 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.

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, 2014 is $1,129,154 (2013 - $1,074,196).

Entertainment Funding Tax - Winnipeg Football Club (continued)

On December 15, 2010, City Council approved an amendment to the Economic Development Initiative for the re-development of the existing Stadium site and the new Stadium development at the University of Manitoba. All the entertainment funding tax remitted to the City in relation to the new Stadium will be used to repay this debt. Once the debt has been repaid, the entertainment funding tax on regular season and exhibition Blue Bomber football games will be used as follows:

- The first $2.0 million shall be paid by WFC to BBB Stadium Inc. ("BBB") to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC;
- The next $0.5 million shall be paid by WFC to BBB to be applied by BBB to a Stadium Capital Fund; and
- The balance, if any, shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC.

On December 12, 2012, City Council approved the request by the WFC to defer and retain future entertainment funding tax payments commencing in 2012 for five years. The outstanding debt including the accrued interest is to be repaid by the end of 2017.

4. Due 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, 2014 effective interest rate was 0.9% (2013 - 0.9%).

5. Debt

	2014	2013
Demand loan (credit facility A); bearing interest at a swap rate of 5.94% per annum until May 30, 2014; after which bears interest at prime; repayable in quarterly instalments of $70,833 plus interest. This has been repaid in its entirety.	**$ -**	$ 141,221

Credit facility A was secured by a limited guarantee from the City of Winnipeg of $7,650,000.

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31

	2014	2013
ASSETS		
Current Assets		
Cash and bank (Note 2)	**$ 3,569,431**	5,226,549
Accounts receivable (Note 3)	**5,793,061**	3,752,513
Prepaid expenses	**33,777**	38,259
Property held for resale (Note 4)	**796,770**	796,770
Current portion of mortgages receivable (Note 5)	**985,298**	1,018,708
Current portion of loans receivable (Note 6)	**3,479,283**	2,639,830
Current portion of DRDG TIF receivable (Note7)	**165,029**	11,705
	14,822,649	13,484,334
Mortgages receivable (Note 5)	**1,896,647**	2,040,185
Loans receivable (Note 6)	**3,294,773**	3,807,247
DRDG TIF receivable (Note 7)	**2,446,196**	192,942
Investment in hotel properties (Note 8)	**11,600,951**	11,992,106
Capital assets (Note 9)	**7,990,552**	8,629,529
	$ 42,051,768	$ 40,146,343
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bank indebtedness (Note 10)	**$ 12,893,912**	$ 11,680,205
Accounts payable and accrued liabilities	**519,551**	607,417
Deferred grant revenue (Note 11)	**828,668**	748,298
Current portion of long-term debt (Note 12)	**2,762,060**	184,720
	17,004,191	13,220,640
Long-term debt (Note 12)	**12,100,705**	12,439,305
Deferred government assistance (Note 13)	**5,252,753**	5,705,300
	34,357,649	31,365,245
Commitments and contingencies (Notes 14)		
NET ASSETS		
Invested in capital assets (Note 15)	**842,779**	1,002,087
General operations	**(20,189)**	97,000
Urban Development Bank	**6,871,529**	7,682,011
	7,694,119	8,781,098
	$ 42,051,768	$ 40,146,343

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 Operations	Urban Development Bank	Total
Balance, January 1, 2013	$ 1,033,829	$ 97,000	$ 8,150,560	$ 9,281,389
Excess (deficiency) of revenue over expenditures	(201,083)	6,552	(305,760)	(500,291)
Fund transfers	-	(6,552)	6,552	-
Net change in invested in capital assets	169,341	-	(169,341)	-
Balance, December 31, 2013	**1,002,087**	**97,000**	**7,682,011**	**8,781,098**
Deficiency of revenue over expenditures	**(193,049)**	**(117,189)**	**(776,741)**	**(1,086,979)**
Fund transfers	**-**	**-**	**-**	**-**
Net change in invested in capital assets	**33,741**	**-**	**(33,741)**	**-**
Balance, December 31, 2014	**$ 842,779**	**$ (20,189)**	**$ 6,871,529**	**$ 7,694,119**

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 Operations	Urban Development Bank	2014	2013
Revenue				
Grants				
City of Winnipeg				
- Operational grant	**$ 300,000**	**$ -**	**$ 300,000**	$ 300,000
- Downtown Residential Development Grant	**-**	**12,978**	**12,978**	15,493
- Homelessness Partnering Project	**-**	**438,384**	**438,384**	-
Province of Manitoba	**-**	**207,551**	**207,551**	255,922
Designated grants	**-**	**244,490**	**244,490**	762,866
Amortization of deferred government assistance	**-**	**452,547**	**452,547**	452,547
Interest	**357,787**	**-**	**357,787**	433,905
Commissions and development fees	**309,125**	**(3)**	**309,122**	225,276
Rental	**37,000**	**615,113**	**652,113**	672,291
Sale of properties	**-**	**-**	**-**	411,700
Other	**-**	**4**	**4**	107,500
Loss from hotel properties operations (Note 8)	**-**	**(391,155)**	**(391,155)**	(27,433)
	1,003,912	**1,579,909**	**2,583,821**	3,610,067
Expenditures				
Administration	**48,931**	**2,344**	**51,275**	45,548
Amortization	**14,928**	**630,668**	**645,596**	653,630
Bank charges and interest	**2,795**	**249,350**	**252,145**	198,715
Interest on long-term debt	**-**	**87,657**	**87,657**	88,872
Cost of properties	**-**	**80,364**	**80,364**	298,990
Grants paid out -				
Designated revenues	**-**	**244,490**	**244,490**	762,866
Wages and Benefits	**841,450**	**-**	**841,450**	746,973
Insurance	**18,794**	**17,449**	**36,243**	33,784
Office	**123,587**	**-**	**123,587**	97,106
Professional fees				
IT and other	**13,008**	**-**	**13,008**	16,518
Accounting, legal and transaction costs	**54,585**	**62,369**	**116,954**	285,809
Marketing	**17,951**	**12,192**	**30,143**	36,087
Project development	**-**	**232,494**	**232,494**	469,766
Rental properties	**-**	**905,394**	**905,394**	363,194
Community investment	**-**	**10,000**	**10,000**	12,500
	1,136,029	**2,534,771**	**3,670,800**	4,110,358
Deficiency of revenue over expenditures for the year	**$ (132,117)**	**$ (954,862)**	**$ (1,086,979)**	$ (500,291)
Allocated to:				
General operations	**$ (117,189)**	**$ -**	**$ (117,189)**	$ 6,552
Urban Development Bank	**-**	**(776,741)**	**(776,741)**	(305,760)
Invested in capital assets	**(14,928)**	**(178,121)**	**(193,049)**	(201,083)
Deficiency of revenue over expenditures for the year	**$ (132,117)**	**$ (954,862)**	**$ (1,086,979)**	$ (500,291)

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for the year	**$ (1,086,979)**	$ (500,291)
Adjustments for		
Amortization of capital assets	**645,596**	653,630
Accrued interest on mortgages	**176**	164
Accrued interest on loans receivable	**(37)**	8,719
Bad debt expense	**-**	-
Deferred government assistance	**(452,547)**	(452,547)
Income from hotel properties	**391,155**	27,433
	(502,636)	(262,892)
Changes in non-cash working capital balances		
Accounts receivable	**(2,040,548)**	(2,246,592)
Prepaid expenses	**4,482**	(28,335)
Property held for resale	**-**	239,904
Accounts payable and accrued liabilities	**(87,707)**	(38,391)
Deferred grant revenue	**80,370**	72,044
	(2,043,403)	(2,001,370)
	(2,546,039)	(2,264,262)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	**(6,617)**	(143,433)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of hotel properties	**-**	(12,019,450)
Advances of mortgages receivable	**(98,644)**	(140,761)
Receipts from mortgages receivable	**275,592**	311,348
Advances of loans receivable	**(1,309,179)**	(1,485,539)
Receipts from loans receivable	**982,200**	1,203,245
Advances from DRDG TIF receivable	**(2,406,578)**	(204,647)
	(2,556,609)	(12,335,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	**2,408,515**	8,514,532
Repayment of long-term debt	**(170,075)**	(182,201)
Decrease in cash and cash equivalents during the year	**(2,870,825)**	(6,411,168)
Cash and cash equivalents, beginning of year	**(6,453,656)**	(42,488)
Cash and cash equivalents, end of year	**$ (9,324,481)**	$ (6,453,656)
Comprised of		
Cash and bank	**$ 3,569,431**	$ 5,226,549
Bank indebtedness	**(12,893,912)**	(11,680,205)
	$ (9,324,481)	$ (6,453,656)

The accompanying notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

1. Summary of Significant Accounting Policies

a. Management's Responsibility for the Financial Statements

These consolidated financial statements of CentreVenture Development Corporation (the "Corporation") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations established by the Public Sector Accounting Board.

b. Nature and Purpose of the Corporation

The Corporation is a non-profit organization incorporated without share capital under the laws of the Province of Manitoba (the "Province") 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 "City"). 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 the Corporation, its wholly-owned subsidiaries Centre Village Housing Inc. and BellMain Residences Inc., which operate under common management. Intra-company and inter-company transactions and balances have been eliminated upon consolidation.

The investment in STR Properties Inc. and CCC Properties Inc. are reported as government business enterprises 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 following basis:

General Operations

General operations includes transactions related to general operations and administration of the Corporation.

Urban Development Bank

The Urban Development Bank ("UDB") was initiated in 1999 through a contribution by the City. Funds are intended to enable the 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 UDB are invested in loans, receivables and property held for development.

The UDB funds, as defined by Board policy, shall not be used to fund the day-to-day operations of the Corporation. The UDB 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, bank indebtedness 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 the Corporation, there are no unrealized gains or losses, and therefore a statement of remeasurement gains and losses are not required for these financial statements.

g. Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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, the Corporation receives grants from time to time for specific programs or initiatives to be administered by the Corporation which are accounted for through the UDB. The following special funding arrangements were ongoing during the year:

<u>Province of Manitoba: North Main Economic Development Program Grant</u>

The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

<u>City of Winnipeg: Downtown Housing Strategy</u>

The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

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

City of Winnipeg: Gail Parvin Hammerquist

The purpose of these grants is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

City of Winnipeg/Province of Manitoba: Downtown Residential Development Grant ("DRDG")

The purpose of this grant is to promote and support significant improvement projects to revitalize communities and neighbourhoods, encourage economic development, enhance social and cultural development, and preserve heritage properties.

City of Winnipeg/Province of Manitoba: Sports, Hospitality, Entertainment District Grant ("SHED")

The purpose of this grant is to make the SHED a key destination downtown, by providing funds to the Corporation to stimulate private and public investment in the District, with the goal of revitalizing Winnipeg's downtown.

City of Winnipeg: Homelessness Partnering Strategy

The purpose of this grant is to fund renovations at the Bell Hotel which goal is to provide affordable housing to individuals who have experienced extended periods of homelessness.

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

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

l. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. *Cash and Bank*

The cash held by the Corporation is restricted for the SHED project and the operation of Centre Village Housing Inc.

3. *Accounts Receivable*

	2014	2013
Trade and other receivable	**776,408**	465,683
GST receivable	**118,133**	47,513
Grants receivable	**149,981**	149,106
SHED Project	**4,748,539**	3,090,211
	$ 5,793,061	$ 3,752,513

The SHED project receivable will be reclassified as a long-term receivable upon final determination of the yearly Tax Increment Financing ("TIF") payment.

4. *Property Held for Resale*

Under the asset agreement between the Corporation and the City, the 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.

5. *Mortgages Receivable*

	2014	2013
Mortgages receivable	**$ 2,898,077**	$ 3,074,849
Accrued interest receivable	**3,868**	4,044
Allowance for doubtful loans	**(20,000)**	(20,000)
	2,881,945	3,058,893
Current portion of mortgages receivable	**985,298**	1,018,708
	$ 1,896,647	$ 2,040,185

5. Mortgages Receivable (continued)

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 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:

2015	985,298
2016	241,597
2017	241,597
2018	241,597
2019	241,597
Thereafter	946,391
	$ 2,898,077

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2015.

6. Loans Receivable

	2014	2013
Loans receivable	**$ 6,851,338**	$ 6,524,393
Accrued interest receivable	**27,718**	27,684
Allowance for doubtful loans	**(105,000)**	(105,000)
	6,774,056	6,447,077
Current portion of loans receivable	**3,479,283**	2,639,830
	$ 3,294,773	$ 3,807,247

Loans receivable from various borrowers have a maximum term to maturity of 30 years, payable in monthly interest installments plus annual principal payment, and are 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.

6. Loans Receivable (continued)

Loan principal receipts are expected as follows:

2015	$ 3,479,283
2016	1,913,664
2017	377,719
2018	263,605
2019	248,607
Thereafter	568,460
	$ 6,851,338

The above schedule lists the expected receipts based on loans maturing during the year. Negotiations to renew loans may occur as terms expire throughout 2015.

7. DRDG TIF Receivable

The DRDG Program is funded by the City and Province and provides grants to developers of residential/mixed use projects in the downtown. The grants provided are based upon the annual incremental taxes generated by the development in the first full year following completion. For condominium developments, the developers receive a grant of 10 times the first years' incremental taxes. For rental developments, the developer receives a grant equal to 15 times the first years' incremental taxes. Developers can elect to receive a lump sum payment of the net present value, or receive annual payments. When lump sum payments are elected, the funds are borrowed from a conventional lender and loans are repaid by the annual incremental taxes.

The Corporation administers this program on behalf of the City and Province, which entails the acceptance of applications and monitoring development through to completion. When lump sum grants are payable under the program, the City provides the Corporation with direction to borrow funds and the loans are drawn by the Corporation and guaranteed by the City. The City subsequently provides funding for the annual loan repayments to the Corporation from the annual incremental taxes.

8. Investment in Hotel Properties

STR Properties Inc. is 89% owned by the Corporation, which owns the St. Regis property. CCC Properties Inc. is 89% owned by the Corporation which includes interest in the land and building comprising of the Carlton Inn. These businesses were acquired as part of the Corporation's mission to revitalize downtown Winnipeg.

8. *Investment in Hotel Properties (continued)*

		STR Properties Inc.		CCC Properties Inc.
Current assets	$	**215,556**	$	**188,233**
Long-term assets		**6,955,449**		**6,808,773**
Total assets	**$**	**7,171,005**	**$**	**6,997,006**
Current liabilities	**$**	**91,405**	**$**	**374,027**
Long-term liabilities		**668,252**		**-**
Equity		**6,411,348**		**6,623,279**
Total equity and liabilities	**$**	**7,171,005**	**$**	**6,997,306**
Revenues	**$**	**37,849**	**$**	**19,550**
Expenses		**130,875**		**366,024**
Loss for the year	**$**	**(93,026)**	**$**	**(346,474)**

9. *Capital Assets*

	2014		2013	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings	**$ 9,724,220**	**$ 2,018,879**	$ 9,724,220	$ 1,430,814
Computer equipment	**124,219**	**119,219**	120,118	112,504
Furniture and fixtures	**148,546**	**115,569**	146,029	91,068
Leasehold improvements	**575,219**	**327,985**	575,219	301,671
	$ 10,572,204	**$ 2,581,652**	$ 10,565,586	$ 1,936,057
Cost less accumulated amortization		**$ 7,990,552**		$ 8,629,529

10. *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% (2% as at December 31, 2014) per annum and is secured by an unconditional and irrevocable guarantee signed by the City in the amount of $13,000,000 and a general security agreement on all personal property of the Corporation. As at December 31, 2014, the line of credit had a balance owing of $6,280,744 ($5,077,425 as at December 31, 2013).

The Corporation has an approved line of credit with the Royal Bank of Canada in the amount of $6,600,000 ($6,600,000 as at December 31, 2013). The line of credit bears interest at Royal Bank prime minus 1.00% (2% as at December 31, 2013) and is guaranteed by the City.

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:

	2014	2013
Gail Parvin Hammerquist 2009	**$ 826,068**	$ 745,698
North Main Economic Development Program Grant	**2,600**	2,600
	$ 828,668	$ 748,298

12. Long-term Debt

	2014	2013
Mortgage payable at the rate of 4.59%, due January 2015, blended monthly payments of $9,565, the balance is secured by first mortgage against apartment complex at Kennedy and Balmoral, general security agreement and assignment of rent.	**$ 1,895,021**	$ 1,922,143
Royal Bank of Canada Insurance, term loan #1 at the fixed rate of 4.47%, due October 2025, blended yearly payments of $241,597, secured by a general security agreement constituting a first ranking security interest in all personal property, and an unconditional and irrevocable guarantee signed by the City in the amount of $13,000,000.	**2,063,853**	2,206,806
Term loan #2 at the fixed rate of 3.78%, due October 2027, blended annual equal payments of $19,457, secured by guarantee signed by the City in the amount of $224,532.	**198,342**	205,076
Term loan #3 at the fixed rate of 3.98%, due October 2029, blended annual equal payments of $349,382 commencing in 2015, secured by guarantee signed by the City in the amount of $3,890,000.	**3,890,000**	3,890,000
Term loan #4 at the fixed rate of 3.91%, due October 2029, blended annual payments of $393,254 commencing in 2015, secured by a guarantee signed by the City in the amount of $4,400,000.	**4,400,000**	4,400,000
Term loan #5 at the fixed rate of 3.69%, due October 2027, blended annual payments of $150,884, secured by a guarantee signed by the City in the amount of $1,634,862.	**1,529,564**	-
Term loan #6 at the fixed rate of 3.95%, due November 2027, blended annual payments of $88,451, secured by a guarantee signed by the City in the amount of $937,408.	**885,985**	-
	14,862,765	12,624,025
Current portion of long-term debt	**2,762,060**	184,720
	$ 12,100,705	$ 12,439,305

12. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2015	$ 2,762,060
2016	874,797
2017	888,057
2018	901,866
2019	916,248
Thereafter	8,519,437
	$ 14,862,465

Term loan #1 was incurred to fund a 15 year mortgage loan of an equal amount which the Corporation extended to Youth Centre of Excellence project at 333 King Street. The Corporation receives an annual payment against the mortgage receivable over a 15 year period from the City to cover the annual debt servicing costs (principal and interest) related to Youth Centre of Excellence's loan.

Term loan #2, #5, and #6 was incurred to fund the grants paid out under the DRDG. The Corporation receives an annual payment against this loan over a 15 year period from the City to cover the annual debt servicing costs (principal and interest).

Term loans #3 and #4 were incurred to finance phase 1 of the SHED project under the Strategic Downtown Investments Funding Agreement. Commencing in 2015, the Corporation will receive an annual payment against this loan over a 15 year period from the Province and the City to cover the annual debt servicing costs (principal and interest). Interest on advances made commencing in 2013 are also covered by the Province and the City.

13. Deferred Government Assistance

The details of government assistance outstanding on forgivable loans are as follows:

	2014	2013
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).	**$ 1,950,555**	$ 2,110,555
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).	**2,173,031**	2,365,578
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).	**1,129,167**	1,229,167
	$ 5,252,753	$ 5,705,300

13. *Deferred Government Assistance (continued)*

The five year forgiveness schedule for the forgivable loans is as follows:

2015	452,547
2016	452,547
2017	452,547
2018	452,547
2019	452,547
Thereafter	2,990,018
	$ 5,252,753

At December 31, 2014, the Corporation has met all requirements during the year relating 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, 2014 year end in the approximate amount of $270,000 ($244,490 in 2013).

The Corporation has made commitments for loans that had not been disbursed by the December 31, 2014 year end in the approximate amount of $Nil ($2,080,024 in 2013).

The Corporation has made commitments for property development and property purchases with the maximum amount committed to be $Nil ($Nil in 2013) 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:

2015	25,149
2016	25,149
2017	25,149
2018	24,596
2019	21,826

15. Invested in Capital Assets

Investment in capital assets is calculated as follows:

	2014	2013
Capital assets	**$ 7,990,552**	$ 8,629,529
Long-term debt	**7,147,773**	7,627,442
	$ 842,779	$ 1,002,087

Change in net assets invested in capital assets is calculated as follows:

	2014	2013
Deficiency of revenue over expenditures		
Amortization of deferred government assistance	**$ 452,547**	$ 452,547
Amortization of capital assets	**(645,596)**	(653,630)
	$ (193,049)	$ (201,083)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 6,618**	$ 143,433
Repayment of long-term debt	**27,123**	25,908
	$ 33,741	$ 169,341

16. Related Party Transactions

The following table summarizes the Corporation's related party transactions for the year:

	2014	2013
REVENUE		
City of Winnipeg (parent) - operating grant	**$ 300,000**	$ 300,000
City of Winnipeg (parent) - miscellaneous	**10,048**	30,549
City of Winnipeg (parent) - Homelessness Partnering Strategy	**431,832**	-
EXPENDITURES		
City of Winnipeg (parent) - Property taxes	**54,227**	46,425
OTHER		
City of Winnipeg (parent) - Assigned Heritage Tax Credits applied against loans receivable	**116,150**	137,816
City of Winnipeg (parent) - DRDG TIF payments	**498,919**	204,629

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, while 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 as a market rate and the funds are usually used for a period of less than twelve months.

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.

17. *Financial Instrument Risks (continued)*

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. *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.

19. *The Sports, Hospitality and Entertainment District*

The SHED is championed by the Corporation along with our Downtown partners. The SHED is a collaborative initiative and will be a public investment funded by the City and Province. The Corporation will continue to play a key role as a project administrator for the balance of Phase 1 and 2 (currently conditionally approved for $16.6 million).

20. *Capital Management*

The Corporation manages its capital according to the plan approved by the City. That plan contains several principles:

- General Operations - Each year's operations are budgeted on a break-even basis, so that the Corporation's general operating fund is, over time, neither increased or diminished on account of annual operations and administration. Beginning in 2010, the Corporation transferred the annual excess of the general operating fund over $97,000 to the UDB. From 2010 to 2013, the amount transferred due to positive operating results totaled $181,866.

- UDB - The UDB was established by the City, with an initial $10 million investment and the right to acquire properties included in a "land bank" from the City for $1 each. The net profits from the purchase and sale of all these properties in downtown development transactions were added to the UDB, increasing it to as high as $13 million in 2006. The "land bank" was exhausted at about that time. 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 as they are repaid. Investments in capital assets are ultimately sold. The cash realized from these UDB investments is then reinvested in further downtown development activity.

20. Capital Management (continued)

- Community Investment - The Corporation's community investment activities are expensed in the UDB, thereby reducing its equity. The Corporation anticipates community investments of between $500,000 and $1 million annually. Community investment during the year amounted to $969,790 ($506,843 in 2013). In the current year, these activities depleted the UDB to a year-end balance of approximately $7.7 million. This balance is comprised of the total of the equity "invested in capital assets" and the UDB equity balance.

- Borrowings - The Corporation administers certain downtown development programs and strategies such as the SHED redevelopment and the DRDG Program. These programs are sponsored by the City and the Province. These initiatives require the Corporation to invest monies or pay out grants that are funded by long term borrowings that have been expressly authorized by the Council of the City and are guaranteed by the City. These loans are then repaid over their respective terms using annual cash receipts that the Corporation will receive through formal contribution agreements signed with various levels of government for each individual initiative.

21. Comparative Figures

Certain of the comparative figures for the year ended December 31, 2013 have been reclassified to provide better comparison with the current year's presentation.

WINNIPEG ARTS COUNCIL INC.

STATEMENT OF OPERATIONS

Year ended December 31

	2014	2013
REVENUES		
City of Winnipeg	**$ 4,082,552**	$ 4,082,552
Arts Development	**41,292**	73,265
Other income	**7,077**	3,490
Interest income	**20,961**	17,890
	4,151,882	4,177,197
EXPENSES		
Program expenses (Schedule of Expenses)	**3,694,469**	3,640,368
Administrative expenses (Schedule of Expenses)	**440,259**	489,940
	4,134,728	4,130,308
OTHER PROJECTS		
Public Art revenues (Note 5)	**420,680**	202,293
Public Art expenses (Schedule of Expenses)	**(420,680)**	(202,293)
	-	-
EXCESS OF REVENUES OVER EXPENSES BEFORE AMORTIZATION	**17,154**	46,889
AMORTIZATION	**(13,963)**	(14,218)
EXCESS OF REVENUES OVER EXPENSES AFTER AMORTIZATION	**$ 3,191**	$ 32,671

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	Unrestricted	Invested in Capital Assets	Internally Restricted	**Total 2014**	Total 2013
Net assets, beginning of year	$ 86,054	$ 46,747	$ 321,294	**$ 454,095**	$ 421,424
Excess (deficiency) of revenues over expenses	17,154	(13,963)	-	**3,191**	32,671
Transfers (Note 6)	18,292	5,708	(94,000)	**(70,000)**	-
Net assets, end of year	$ 121,500	$ 38,492	$ 227,294	**$ 387,286**	$ 454,095

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENTS OF FINANCIAL POSITION

December 31

		2014		2013
ASSETS				
Current				
Cash	**$**	**260,625**	$	2,487
Term deposits		**1,193,977**		1,440,000
Receivables		**1,232**		-
Interest receivable		**8,666**		11,919
GST receivable		**6,549**		3,625
Prepaid expenses		**4,527**		14,794
		1,475,576		1,472,825
Equipment and leasehold improvements (Note 3)		**38,492**		46,747
	$	**1,514,068**	$	1,519,572
LIABILITIES				
Current				
Payables and accruals	**$**	**6,000**	$	6,760
Grant holdbacks (Note 4)		**72,612**		99,699
Deferred contributions (Note 5)		**1,048,170**		959,018
		1,126,782		1,065,477
NET ASSETS				
Unrestricted		**121,500**		86,054
Invested in Capital Assets		**38,492**		46,747
Internally Restricted (Note 7)		**227,294**		321,294
		387,286		454,095
	$	**1,514,068**	$	1,519,572

Commitment (Note 8)

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENTS OF CASH FLOWS

Year ended December 31

	2014	2013
Cash derived from (applied to)		
OPERATING		
Excess of revenues over expenses	**$ 3,191**	$ 32,671
Amortization	**13,963**	14,218
	17,154	46,889
Change in non-cash working capital		
Receivables	**(1,232)**	-
Interest receivable	**3,253**	(6,247)
GST receivable	**(2,924)**	5,552
Prepaid expenses	**10,267**	(10,162)
Payables and accruals	**(760)**	(2,762)
Grant holdbacks	**(27,087)**	(32,801)
Deferred contributions	**89,152**	271,040
	70,669	224,620
INVESTING		
Redemption of term deposits	**2,220,000**	1,885,000
Purchase of term deposits	**(1,973,977)**	(2,220,000)
Transfer to Endowment Fund	**(15,000)**	-
Transfer to Cultural Capital of Canada Legacy Event	**(55,000)**	-
Purchase of equipment	**(5,708)**	-
	170,315	(335,000)
NET INCREASE (DECREASE) IN CASH	**258,138**	(63,491)
CASH BALANCE		
Beginning of year	**2,487**	65,978
End of year	**$ 260,625**	$ 2,487

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

1. Nature of Operations

Winnipeg Arts Council Inc. (the Organization) funds, supports, and fosters development of the arts on behalf of the people of Winnipeg.

The Organization is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are as follows:

a) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost. The Organization provides for amortization using the following methods at rates designed to amortize the cost of the equipment and leasehold improvements over their estimated useful lives. The annual amortization rates and methods are as follows:

Office equipment	5 years Straight-line
Furniture and fixtures	10 years Straight-line
Computer equipment	3 years Straight-line

Amortization of leasehold improvements is recorded over the term of the lease

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured

c) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates

d) Financial instruments

It is management's opinion that the Organization is not exposed to significant credit, currency interest rate, liquidity, market or price risks arising from its financial instruments

3. Equipment and Leasehold Improvements

	Cost	Accumulated Amortization	2014 Net Book Value	2013 Net Book Value
Office equipment	$ 6,574	$ 6,574	$ -	$ -
Furniture and fixtures	34,244	22,027	12,217	11,062
Leasehold improvements	104,258	79,000	25,258	35,685
Computer equipment	5,091	4,074	1,017	-
	$ 150,167	$ 111,675	$ 38,492	$ 46,747

4. Grant Holdbacks

The Organization follows the policy of holding back a proportion of grants awarded in a year until certain completion criteria have been satisfied. Furthermore, some awards will be disbursed according to a cash flow schedule developed with the agreement of the recipient organizations. Accordingly, this account represents the award balances which will be disbursed in the future according to the specified guidelines.

At December 31, the composition of the holdbacks according to award category are as follows:

	2014	2013
Youth WITH ART	$ 41,732	37,825
Project grants	17,880	20,874
Arts Development	11,000	29,000
Individual artist grants	2,000	12,000
	$ 72,612	$ 99,699

5. Deferred Contributions

Deferred contributions represent restricted funding and unspent externally restricted resources which relate to the subsequent year.

Public Art relates to the design and execution of particular artworks to be created in public areas of Winnipeg. The commissioning and installation of public art projects is a multi-year process. This project is supported by a specified allocation from the City of Winnipeg. Financial support to individual artists is awarded on the recommendations of juries selected by the Organization

5. Deferred Contributions (continued)

	2014	2013
Public Art		
Contributions		
City of Winnipeg	**509,832**	466,400
Other	**-**	6,933
Transferred to revenue	**(420,680)**	(202,293)
Increase during the year	**89,152**	271,040
Deferred contributions, beginning of year	**959,018**	687,978
Deferred contributions, end of year	**$ 1,048,170**	$ 959,018

The following provides a breakdown by project of the unexpended balance:

	2014	2013
Public Art Projects		
Broadway Light-based Sculptures	**$ 292,338**	$ 292,463
Tache Promenade	**202,000**	-
WITH ART: Community Arts Projects	**157,785**	144,256
East Exchange Artist/Writer	**115,000**	-
Artist in Residence - City Planning	**60,076**	75,000
Centre Venture Streetscaping	**60,000**	60,000
Public Art Contingency	**56,639**	56,639
Adsum Park	**37,291**	89,500
Year of Urban Idea	**23,408**	50,000
St. Vital Duck Pond	**16,698**	144,800
Yellow Ribbon Greenway	**15,000**	15,000
Public Education and Outreach	**8,225**	10,279
Snow Maze	**2,974**	9,300
Transcona Performance	**736**	1,040
Community Gardens	**-**	10,187
Disraeli Bridge	**-**	554
	$ 1,048,170	$ 959,018

6. *Transfers*

During the year, the Board of Directors approved the following transfers:

$94,000 (2013 - $Nil) was transferred out of internally restricted net assets. Specifically $55,000 was transferred out of the Municipal Arts and Cultural Development reserve as a payment towards the Cultural Capital of Canada Legacy Event, $24,000 was transferred out of the Municipal Arts and Cultural Development reserve to unrestricted net assets to assist with arts and cultural development expenses, and $15,000 was transferred out of the Future Programs reserve as a contribution to the Endowment Fund held at the Winnipeg Foundation.

$5,708 (2013 - $Nil) was transferred from unrestricted net assets to invested in capital assets in order to fund cash outlays for capital asset acquisitions.

7. *Internally Restricted Net Assets*

	2014	2013
Cash flow assistance	**$ 100,000**	$ 100,000
Future Programs	**69,270**	84,270
Municipal Arts and Cultural Development	**58,024**	137,024
	$ 227,294	$ 321,294

The allocation for cash flow assistance was made in order to provide cash flow assistance to client organizations until such time as operating grants for their use have been received by Winnipeg Arts Council Inc. from the City of Winnipeg.

The allocation for Future Programs is available for the development of new programs at the discretion of the Board of Directors.

The allocation to Municipal Arts and Cultural Development was made to finance future projects to engage the overall community in support of the arts in the City of Winnipeg. Certain of these allocations have been designated to the Cultural Capital of Canada Legacy Event, as detailed in Note 6.

8. *Commitment*

Effective April 1, 2014, the Organization's rent increased to an annual cost of $51,840. The lease expires in 2017.

9. *Economic Dependence*

The volume of financial activity undertaken by the Organization with its main funding body is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

10. *Endowment Fund*

In 2011, the Organization established an Endowment Fund through a $20,000 contribution to be held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Organization annually to support general operations. As of December 31, 2014, the Organization's cumulative contributions to the Endowment Fund totaled $35,000 (2013 - $20,000) with a cumulative matching grant contribution of $18,316 (2013 - $15,000) from The Winnipeg Foundation. The market value of the Endowment Fund at December 31, 2014 is $69,790 (2013 - $46,754).

WINNIPEG ARTS COUNCIL INC.

SCHEDULE OF EXPENSES

Year ended December 31

		2014		2013
PROGRAM EXPENSES				
Operating grants	**$**	**3,172,050**	$	3,107,650
Project grants		**119,800**		199,240
Individual artist grants		**170,200**		146,350
Professional development grants		**35,750**		42,000
Arts Development		**123,320**		103,538
Youth WITH ART grants		**50,000**		15,000
Jury honoraria and expenses		**15,028**		16,722
Translation services		**2,071**		3,618
Carol Shields Winnipeg Book Award		**6,250**		6,250
	$	**3,694,469**	$	3,640,368
ADMINISTRATIVE EXPENSES				
Board and committee meetings	**$**	**4,776**	$	6,958
Hospitality and promotion		**4,126**		5,043
Professional and consultant fees		**14,814**		23,762
Professional development, membership and conferences		**5,770**		4,281
Rent		**51,183**		41,886
Salaries and benefits		**330,736**		365,557
Supplies and other office expenses		**23,264**		36,039
Telecommunications		**5,590**		6,414
	$	**440,259**	$	489,940
PUBLIC ART EXPENSES				
Administration	**$**	**75,000**	$	75,006
Artists proposal expenses		**7,391**		115
Commission fees		**275,846**		94,437
Consultation		**18,691**		6,531
Jury honoraria and expenses		**7,450**		1,099
Maintenance		**1,231**		-
Public education		**20,036**		13,541
Research, planning and marketing		**15,035**		11,564
	$	**420,680**	$	202,293

See accompanying notes to the financial statements

PHOTO: Lindsey Bond

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

December 31

	2014	2013
ASSETS		
Current assets		
Cash	**$ 44,137**	$ 40,660
GST receivable	**1,120**	891
Prepaid expenses	**3,324**	-
	$ 48,581	$ 41,551
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	**$ 207**	$ -
NET ASSETS		
Unrestricted	**48,374**	41,551
	$ 48,581	$ 41,551

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF OPERATIONS

Year ended December 31

		2014		2013
REVENUE				
City of Winnipeg operating grant	**$**	**79,315**	$	79,315
EXPENDITURES				
Administrative		**11,008**		8,187
Development and research		**21,002**		7,805
Foundation donation		**20,000**		20,000
Language and literacy grants		**3,000**		3,000
Promotion, advertising, and community outreach		**7,482**		8,371
Sponsorship		**10,000**		10,000
		72,492		57,363
EXCESS OF REVENUE OVER EXPENDITURES	**$**	**6,823**	$	21,952

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2014	2013
Net assets, beginning of year	**$ 41,551**	$ 19,599
Excess of revenue over expenditures	**6,823**	21,952
Net assets, end of year	**$ 48,374**	$ 41,551

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF CASH FLOWS

December 31

	2014	2013
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**$ 6,823**	$ 21,952
Change in non-cash working capital:		
GST receivable	**(229)**	(195)
Prepaid expenses	**(3,324)**	-
Accounts payable	**207**	(73)
Change in cash	**3,477**	21,684
CASH, beginning of year	**40,660**	18,976
CASH, end of year	**$ 44,137**	$ 40,660

1. *Purpose of the Organization:*

The Winnipeg Public Library Board (the "Organization") was established through the enactment of a City of Winnipeg by-law to provide guidance with respect to improving the City's library system. It is a not-for-profit organization that is exempt from income tax under provisions of the *Income Tax Act* .

2. *Significant accounting policies:*

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements have been prepared using the following accounting policies:

a) Critical accounting estimates and judgments-

The preparation of financial statements requires management to make estimates and judgments 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 reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgements, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Financial instruments-

Except for certain related party transactions, financial instruments are measure at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in the difference between revenues and expenses for the period incurred.

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs

2. *Significant accounting policies (continued):*

that may incur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amotized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures cash and accounts payable and accrued liabilities amortized cost.

The Organization assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in the difference between revenues and expenses.

c) Revenue recognition-

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses occur. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenue is recognized when incurred and when collection can be reasonably assured.

As is common with many not-for-profit organizations, the Organization receives contributions in the form of goods and services. Because of the difficulty of determining their value, contributed goods and services are not recognized in the financial statements.

d) Capital assets-

The average annual revenues recognized in the statement of operations for the current and preceding period of the Organization was less than $500,000. Since the organization met criteria for small not-for-profit organizations, it does not record the acquisition of capital assets. These acquisitions are expensed at the date of acquisition. No capital assets were acquired or expensed in the statement of operations (2013 - $nil).

3. *Economic dependence:*

The organization is dependent on the City of Winnipeg as its primary source of revenue. Should this funding substantially change, management is of the opinion that continued viable operations would be doubtful.

4. *Risk management:*

Management's risk management policies are typically performed as a part of the overall management of the Organization's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Organization is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As part of the overall operation of the Organization, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

4. *Risk management (continued):*

Liquidity risk -

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main source of liquidity is its operations. The funds are primarily used to finance working capital requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

PHOTO: Number TEN Architectural Group

ASSINIBOINE PARK CONSERVANCY INC.

BALANCE SHEET

December 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	**$ 11,078,980**	$ 10,030,750
Accounts receivable	**207,214**	154,378
Government remittances receivable	**218,659**	251,265
Provincial grants receivable (Note 4)	**847,099**	-
Construction advance receivable (Note 4)	**-**	2,189,821
Inventory	**206,776**	177,985
Prepaid expenses	**338,550**	350,522
	12,897,278	13,154,721
CAPITAL ASSETS (Note 5)	**107,415,851**	84,035,016
ART COLLECTIONS (Note 6)	**13,702,402**	13,542,552
EMPLOYEE BENEFITS RECEIVABLE (Note 7)	**437,994**	532,525
	$ 134,453,525	111,264,814
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 6,899,404**	$ 9,017,215
Deferred contributions - operating (Note 8)	**274,322**	158,949
Notes payable (Note 9)	**20,900,000**	13,900,000
Current portion of long-term debt (Note 10)	**382,000**	382,000
	28,455,726	23,458,164
DEFERRED CONTRIBUTIONS - OPERATING (Note 8)	**446,421**	526,386
DEFERRED CONTRIBUTIONS - CAPITAL (Note 11)	**91,365,630**	71,910,875
LONG-TERM DEBT (Note 10)	**1,250,244**	1,632,244
ACCRUED EMPLOYEE BENEFITS (Note 7)	**206,827**	301,358
	121,724,848	97,829,027
COMMITMENTS (Note 16)		
NET ASSETS		
Restricted (Notes 2(c) and 6)	**13,702,402**	13,542,552
Unrestricted	**(973,725)**	(106,765)
	12,728,677	13,435,787
	$ 134,453,525	$ 111,264,814

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENTS OF OPERATIONS

For the Year ended December 31, 2014

	2014	2013
REVENUE		
City of Winnipeg	**$ 12,207,000**	$ 12,207,796
Other operating grants	**206,776**	137,333
Gifts and sponsorships	**459,337**	499,178
Amortization of deferred contributions	**5,280,426**	3,491,725
Park revenues	**10,115,966**	7,460,181
	28,269,505	23,796,213
Direct costs of park revenues (Note 12)	**6,234,667**	5,120,555
	22,034,838	18,675,658
EXPENSE		
Administration (Note 12)	**1,661,894**	1,533,481
Interest	**349,611**	167,115
Amortization of capital assets	**5,302,901**	3,364,825
Insurance	**160,826**	148,288
Operations (Note 12)	**2,388,558**	1,819,238
Utilities (Note 12)	**1,093,434**	966,253
Wages, benefits and contract services (Note 12)	**11,944,474**	10,667,579
	22,901,698	18,666,779
EXCESS OF (EXPENSE OVER REVENUE) REVENUE OVER EXPENSE (NOTE 9(b))	**$ (866,860)**	$ 8,879

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENTS OF CHANGES IN NET ASSETS

Year ended December 31, 2014

	Restricted Net Assets	Unrestricted Net Assets	**2014 Total**	2013 Total
Balance, beginning of year	**$ 13,542,552**	**$ (106,765)**	**$ 13,435,787**	$ 13,426,908
Gift of art (Note 6)	**159,850**	**-**	**159,850**	-
Excess of (expense over revenue) revenue over expense	**-**	**(866,960)**	**(866,960)**	8,879
Balance, end of year	**$ 13,702,402**	**$ (973,725)**	**$ 12,728,677**	$ 13,435,787

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENTS OF CASH FLOWS

For the Year ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess of (expense over revenue) revenue over expense	**$ (866,960)**	$ 8,879
Items not affecting cash:		
Amortization of capital assets	**5,302,901**	3,364,825
Amortization of deferred contributions	**(5,280,426)**	(3,491,725)
	(844,485)	(118,021)
Changes in non-cash operating working capital items:		
Accounts receivable	**(52,836)**	(89,656)
Government remittances receivable	**32,606**	200,245
Provincial grant receivable	**(847,099)**	-
Construction advance receivable	**2,189,821**	29,458
Inventory	**(28,791)**	(35,014)
Prepaid expenses	**11,972**	(235,092)
Accounts payable and accrued liabilities	**(2,117,811)**	(1,787,016)
Deferred contributions - operating	**35,408**	28,231
	(1,621,215)	(2,006,865)
FINANCING ACTIVITIES		
Deferred contributions - capital	**24,735,181**	26,809,605
Proceeds from notes payable	**7,000,000**	5,000,000
Repayment of notes payable	**-**	(75,000)
Proceeds from long-term debt	**-**	2,532,586
Repayment of long-term debt	**(382,000)**	(518,342)
Change in employee benefits receivable	**94,531**	(17,322)
Change in accrued employee benefits	**(94,531)**	17,322
	31,353,181	33,748,849
INVESTING ACTIVITY		
Acquisition of capital assets	**(28,683,736)**	(26,378,992)
NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS	**1,048,230**	5,362,992
CASH AND SHORT-TERM INVESTMENTS, beginning of year	**10,030,750**	4,667,758
CASH AND SHORT-TERM INVESTMENTS, end of year	**$ 11,078,980**	$ 10,030,750

ASSINIBOINE PARK CONSERVANCY INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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. (the "Conservancy") 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 5 to 10 years.

The Conservancy became a registered charity under the Income Tax Act on January 1, 2009 and is exempt from income taxes.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

The Conservancy follows the deferral method of accounting for revenues. Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted revenues are recognized in accordance with the restrictions placed on them by the funder.

Unrestricted gifts are recognized as revenue in the period in which the gifts are received. Gifts that are restricted by the donor are deferred, and then recognized in the year in which the related restriction is met.

Pledges receivable from donors have not been recognized in these financial statements.

Park revenues, which include revenues from zoo admissions, food, beverage and retail sales, education programming, hosting of private functions and public fundraisers, are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collection is reasonably assured.

2. *Significant Accounting Policies (continued)*

b) Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at their fair value at the date of contribution. Amortization is recorded on a straight-line basis over the assets estimated useful life as follows:

Park facility improvements	10 - 40 years
Grounds improvements	5 - 20 years
Park equipment and systems	5 - 20 years
Moving equipment	5 - 15 years

Park facility improvements include new buildings and exhibits, and major improvements to existing buildings and exhibits in the Park. Grounds improvements include major improvements to roadways, parking lots, landscaping, lighting, pathways and signage. Park equipment and systems include information technology, security and safety systems, temporary structures, computer equipment, office furniture and fixtures, playground equipment, benches, picnic tables and other Park equipment, retail equipment and minor improvements to existing buildings. Moving equipment includes grounds maintenance and sanitation equipment, the Park vehicle fleet and people movers.

Construction in progress includes the costs associated with the construction of new Park facilities, grounds improvements and major upgrades to existing facilities within the Park. Amortization of these assets will commence when the asset is determined to be ready for use and 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 legacy collections. Should artwork be damaged or stolen, the proceeds of an insurance claim would either be used to restore the artwork, to acquire new pieces of art for the collection or for the direct care of the remaining collection.

d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Conservancy subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Conservancy recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an

2. Significant Accounting Policies (continued)

event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

e) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are the determination of the useful lives of the capital assets and the amount of the employee benefits receivable and accrued employee benefits. Actual results could differ from these estimates.

3. Cash and Short-Term Investments

Cash and short-term investments consist of cash on hand and balances with banks. Included in cash and short-term investments is restricted cash held in a joint bank account with a construction company for the payment of holdbacks in the amount of $nil (2013 - $3,287,411).

4. Construction Advance Receivable

On July 3, 2014, the Journey to Churchill Exhibit ("the Exhibit") which includes the Provincially owned International Polar Bear Conservation Centre ("IPBCC") and Polar Bear facilities were substantially completed and opened to the public. The Province of Manitoba has a $30 million investment in the IPBCC and Polar Bear facilities, which include the Gateway to Arctic Building, the Animal Holding and Filtration System Building and the Polar Plunge. As a result, the Province's $30 million investment in these capital assets do not appear on the Conservancy's balance sheet. As at December 31, 2013, the Conservancy had a construction advance receivable of $2,189,821 from the Province.

In addition, the Province provided the Conservancy with $4 million in capital grants for the Journey to Churchill, $1 million of which was received in 2010, $2,258,061 of which was received in 2014 and $741,939 of which is receivable at December 31, 2014. Also included in Provincial grants receivable is a grant of $105,160 for geothermal costs incurred relating to the Journey to Churchill project.

The Conservancy and the Province have three continuing agreements which relate to the provincially owned buildings. A long-term Ground Sublease Agreement provides the Province with a sublease on the land on which the IPBCC and Polar Bear Facilities are located within the park. An Operations Agreement 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 standards of the Province over the term of the Ground Sublease Agreement. Under an Insurance Agreement, the Province has assumed responsibility for providing insurance for the IPBCC and the Polar Bear Facilities.

5. *Capital Assets*

	2014			2013
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Park facility improvements	**$ 89,357,990**	**$ 4,480,737**	**$ 84,877,253**	$ 29,598,201
Grounds improvements	**9,732,116**	**2,172,350**	**7,559,766**	5,790,453
Park equipment and systems	**17,976,204**	**5,031,016**	**12,945,188**	8,087,812
Moving equipment	**1,221,202**	**335,051**	**886,151**	843,690
Construction in progress	**1,147,493**	**-**	**1,147,493**	39,714,860
	$ 119,435,005	**$ 12,019,154**	**$ 107,415,851**	$ 84,035,016

Included in construction in progress is capitalized interest of $nil (2013 - $196,158). Upon the completion of the Journey to Churchill exhibit in July, 2014, $63.6 million of costs were moved from construction in progress to park facility improvements, grounds improvements and park equipment and systems, which included capitalized interest of $348,364. The Journey to Churchill assets, including capitalized interest, are being amortized over the 40 year useful life of the building.

6. *Art Collections*

The art collections include approximately 4,070 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. Sheppard's portrait of Winnie the Pooh and A.A. Milne's book, titled "Now We are Six". For the year ending December 31, 2014, the Conservancy was the recipient of gift-in-kind donations valued at $159,850 that increased the art collections. The Conservancy did not dispose of any works of art during the year ending December 31, 2014.

	2014	2013
Legacy art collections	**$ 13,559,652**	$ 13,542,552
Other art collections	**142,750**	-
	$ 13,702,402	$ 13,542,552

7. *Employee Benefits Receivable and Accrued Employee Benefits*

Under the Lease and Funding Agreement between the Conservancy and the City, the City is responsible for funding all labour costs associated with CUPE 500 members who were previously employed by the City in Assiniboine Park Zoo and the Conservatory.

Accordingly, included in the employee benefits receivable is an amount due from the City of $231,167 (2013 - $231,167) which represents the vacation pay earned by CUPE 500 employees while they were employed by the City to September 30, 2010. The liability for this accrued vacation pay is included in accounts payable and accrued liabilities.

Under the collective agreements with CUPE 500, employees are also entitled to certain employee benefit payouts on retirement, which will be honored by the Conservancy at a future date when these employees retire. Included in the employee benefits receivable is an amount of $206,827 (2013 - $301,358), which represents the amount due from the City to fund a sick pay severance liability payable to these employees as of September 30, 2010. Also recorded is the corresponding long-term liability to these employees which will be paid out to them upon retirement. It is expected that insignificant payouts to employees will occur in 2015 and therefore the receivable and liability are both recorded as long-term.

8. Deferred Contributions - Operating

The balance in current deferred contributions - operating at December 31, 2014 represents $251,098 (2013 - $135,212) of externally designated funds to be used to offset 2015 operating costs and $23,224 (2013 - $23,737) of funds to be used to offset 2015 costs of conservation and research activities. The balance also includes $446,421 (2013 - $526,386) in funds that are externally designated for maintaining the Leo Mol Sculpture Garden. The Conservancy does not anticipate having to use any significant amount of these funds in 2015 and therefore the $446,421 (2013 - $526,386) has been classified as long-term in nature.

9. Notes Payable

a) The Conservancy signed a commitment letter with a financial institution for a $17 million loan facility for the purpose of bridge financing the construction of the Journey to Churchill. As at December 31, 2014, the Conservancy has drawn $17,000,000 (2013 - $11,000,000) against this facility to finance construction costs. The demand loan is secured with a guarantee signed by the City and is repayable in full by December 31, 2016.

b) In 2014, the Conservancy signed an amendment to the commitment letter for an additional $1 million in financing to provide an operating line of credit. In 2014, the City and the Conservancy agreed to the deferral of $1 million of the operating grant to which the Conservancy was originally entitled under the Lease and Funding Agreement. As a result, the Conservancy budgeted for and has incurred an operating deficit of approximately $1 million in 2014. Subsequent to year end, the City approved a $1 million grant in addition to the Conservancy's baseline grant entitlement in 2015 to repay the line of credit and eliminate the 2014 accumulated deficit. This demand loan is secured by a guarantee signed by the City and is repayable in full by December 31, 2015. Interest on both loans is at prime less 0.75%.

c) In 2011, the Province of Manitoba advanced the Conservancy $2,900,000 to provide cash flow for the Journey to Churchill. The advance is secured by a $2,900,000 promissory note bearing interest at prime plus .25%, compounded monthly, with no monthly repayments. The note is repayable on demand on or before December 31, 2015 and is therefore classified on the balance sheet as a current liability.

Required principal repayments over the next two years are as follows:

2015	$ 3,900,000
2016	17,000,000

10. Long-Term Debt

During the prior year, the Conservancy entered into an agreement with Manitoba Hydro to finance the first phase of the park's underground electrical service which was required as part of the Journey to Churchill project. The loan bears interest at 3.65% and has a 70 month term ending in February 2019. Interest on the loan is payable monthly and an aggregate annual principal repayment ranging from $250,000 to $274,478 is required in January of each fiscal year.

During the prior year, the Conservancy entered into an agreement with a private company to finance the cost of new trailers acquired to provide administrative offices for Conservancy staff. The loan is interest free and is repayable in monthly payments of $11,000 ending in May 2017.

10. Long-Term Debt (continued)

		2014		2013
Manitoba Hydro loan payable	$	**1,314,748**	$	1,564,748
Equipment loan payable		**317,496**		449,496
		1,632,244		2,014,244
Less: Current portion		**(382,000)**		(382,000)
	$	**1,250,244**	$	1,632,244

Scheduled principal payments on long-term debt, in each of the next five years are as follows:

2015	382,000
2016	382,000
2017	323,497
2018	270,000
2019	274,747

11. Deferred Contributions - Capital

During the year, the Conservancy received contributions totaling $24,735,181 (2013 - $26,809,605) related to designated capital projects. These restricted contributions are deferred and recognized as revenue on the same basis as the amortization expense related to the designated capital projects.

		2014		2013
Balance, beginning of year	$	**71,910,875**	$	48,592,995
Contributions received		**24,735,181**		26,809,605
Amortization of deferred contributions		**(5,280,426)**		(3,491,725)
Balance, end of year	$	**91,365,630**	$	71,910,875

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 2014 through an annual operating grant. The City has also committed to providing a 25% investment in the capital redevelopment of Assiniboine Park, as described in Note 1, and provides an annual capital grant for the capital refurbishment of existing buildings, exhibits and amenities in the Park. A summary of the City of Winnipeg account balances and transactions as at and for the year ending December 31, 2014 are as follows.

City of Winnipeg balances

As described in Note 7, as at December 31, 2014, the Conservancy has a long-term receivable of $437,994 (2013 - $532,525) from the City relating to employee benefits for CUPE 500 employees who were previously employed by the City.

Included in accounts payable and accrued liabilities at December 31, 2014, are amounts due to the City of $385,978 (2013 - $292,139).

12. City of Winnipeg (continued)

City of Winnipeg transactions

During the year, the Conservancy recognized funding received from the City of Winnipeg into operating revenue as follows:

	2014	2013
2014 funding recognized	**$ 12,207,000**	$ -
2013 funding recognized	**-**	12,207,000
Cash gift	**-**	796
	$ 12,207,000	$ 12,207,796

Included in capital assets for the year ending December 31, 2014 are amounts capitalized of $25,154 (2013- $nil) relating to roadway signage and benches which were purchased from the City.

Additionally, during the year, the Conservancy received capital contributions of $13,333,000 (2013 - $15,749,000) from the City of Winnipeg. These amounts have been included as deferred contributions - capital, on the balance sheet, and are recognized into revenue consistent with the amount of amortization calculated on the capital assets that the funding was used to acquire.

Included in direct costs of park revenues are advertising costs paid to the City of $15,963 (2013 - $15,831).

Included in administration expense are licenses, land lease and human resource costs paid to the City of $5,032 (2013 - $7,908). Included in operations expense are waste disposal, horticulture, maintenance and fleet costs paid to the City of $85,294 (2013 - $69,742). Included in utilities expense are water costs paid to the City of $231,488 (2013 - $192,981). Included in wages, benefits and contract services are pension plan benefit costs paid to the City of $244,420 (2013 - $227,132).

13. Endowments Held by the Winnipeg Foundation

The Conservancy is the beneficiary of five endowment funds, held and controlled by the Winnipeg Foundation, as of December 31, 2014. The Winnipeg Foundation retains title to the investments and receives a management fee not to exceed one-half percent of the opening market value of the contributed capital in the Funds at October 1 each year. The Conservancy receives an annual income distribution based on the Foundation's income distribution policy, net of the management fee and investment fees.

The market value of the Funds held on behalf of the Conservancy by The Winnipeg Foundation at December 31 are as follows:

	2014	2013
Lyric Program Fund	**$ 79,503**	$ 76,379
Assiniboine Park Bandshell Inc. Fund	**264,746**	254,208
Assiniboine Park Zoo Endowment Fund	**19,889**	19,059
Leo Mol Sculpture Garden Fund	**197,671**	184,040
Assiniboine Park Conservancy Fund	**29,420**	24,699
	$ 591,229	$ 558,385

13. Endowments Held by the Winnipeg Foundation (continued)

The purpose of the Lyric Program Fund and the Assiniboine Park Bandshell Inc. Fund is to provide income to support the operation and ongoing maintenance of the Lyric Theatre. The purpose of the Assiniboine Park Zoo Endowment Fund is to provide income to support the operation and on-going maintenance of Assiniboine Park Zoo. The purpose of the Leo Mol Sculpture garden Fund is to upkeep, maintain and sustain the Leo Mol Sculpture Garden located within the Assiniboine Park. The Assiniboine

Park Conservancy Fund is designated as a general fund whose income is to be used at the discretion of the Board of Directors of the Conservancy.

During the year, the Winnipeg Foundation distributed $10,019 (2013 - $12,658) in income to the Conservancy from these Funds.

14. Capital Management

The objective of the Board of Directors of Assiniboine Park Conservancy Inc., when managing capital, is to safeguard the ability of the Conservancy to continue as a going concern. The Board of Directors considers capital management in two components: First, for the Conservancy's capital activities, capital is raised through government contributions and private sector fundraising. Authorization of capital projects is provided as funding for each redevelopment project is confirmed. Second, for the Conservancy's operating activities, the Board seeks to operate with a modest surplus annually so that sufficient net assets are retained to manage the risk inherent in the Conservancy's expanding operations. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. There have been no significant changes to the Board's capital management policy in the past year.

15. Non-Monetary Transactions

During the year, the Conservancy received amounts for operating purposes of $27,709 (2013 - $53,825) without consideration. The Conservancy also received goods and services without consideration which were capitalized as capital assets of $nil (2013 - $50,000) and capitalized as art collections of $159,850 (2013 - $nil).

The transactions were recorded at the fair value of the goods or services received.

16. Commitments

The Conservancy has numerous capital contractual agreements with companies for ongoing capital projects at the Park. Total contract values committed to under signed agreements as at December 31, 2014 is $252,850 (2013 - $15,638,373). These amounts are to be paid over the construction period of the projects which are expected to be ready for use in future years.

17. Contingencies

As at December 31, 2014, the Conservancy is seeking resolutions on certain accrued construction liabilities and business interruption matters with a construction contractor and insurance company. Management is not able to estimate the possible outcome nor the possible settlement amounts from these matters, and therefore no adjustment or recoverable amount has been recorded in the financial statements.

2 0 1 4 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

PHOTO: Gerry Kopelow

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014 with comparative information for 2013

	2014	2013
ASSETS		
Current assets:		
Cash	**$ 1,133,432**	$ 1,293,690
Investments (note 3)	**841,953**	536,375
Accounts receivable	**71,165**	81,700
Prepaid expenses	**89,604**	84,638
	2,136,154	1,996,403
Capital assets (note 4)	**45,451**	60,072
	$ 2,181,605	$ 2,056,475
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 134,578**	$ 112,245
Deferred rent	**18,299**	13,309
Deferred contributions:		
Future expenses (note 5)	**590,826**	578,063
	743,703	703,617
Net assets:		
Invested in capital assets	**45,451**	60,072
Unrestricted	**563,519**	487,056
Internally restricted:		
Appropriated for Yes! Winnipeg initiative reserve (note 7)	**153,500**	153,500
Appropriated for contingency reserve (note 7)	**675,432**	652,230
	1,437,902	1,352,858
Commitments (note 8)		
	$ 2,181,605	$ 2,056,475

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2014 with comparative information for 2013

	2014	2013
REVENUE:		
Funding:		
The City of Winnipeg	**$ 2,248,292**	$ 2,301,479
Province of Manitoba	**1,412,000**	1,412,000
Partnerships and investors contributions	**1,537,787**	1,678,504
Interest	**18,472**	19,871
Amortization of deferred contributions - capital assets (note 6)	**-**	26,334
	5,216,551	5,438,188
EXPENDITURES:		
Initiatives and marketing	**1,386,707**	1,520,171
Personnel	**3,219,402**	3,251,489
Administrative	**298,531**	306,542
Occupancy and facilities	**226,867**	231,704
	5,131,507	5,309,906
EXCESS OF REVENUE OVER EXPENDITURES	**$ 85,044**	$ 128,282

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2014, with comparative information for 2013

	Unrestricted			Internally restricted			
	Invested in Capital Assets	**Operating**	**Yes! Winnipeg Initiative**	**Contingency Reserve**	**Yes! Winnipeg Initiative Reserve**	**2014 Total**	2013 Total
Balances, beginning of year	**$ 60,072**	**$ 303,455**	**$ 183,601**	**$ 652,230**	**$ 153,500**	**$ 1,352,858**	$ 1,224,576
Excess (deficiency) of revenue over expenditures	**(30,648)**	**237,343**	**(121,651)**	**-**	**-**	**85,044**	128,282
Transfer of funds for internally restricted purposes (note 7)	**-**	**(23,202)**	**-**	**23,202**	**-**	**-**	-
Transfer to Yes! Winnipeg initiative	**-**	**(132,996)**	**132,996**	**-**	**-**	**-**	-
Transfer for acquisition of capital assets	**16,027**	**(16,027)**	**-**	**-**	**-**	**-**	-
Balances, end of year	**$ 45,451**	**$ 368,573**	**$ 194,946**	**$ 675,432**	**$ 153,500**	**$ 1,437,902**	$ 1,352,858

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2014 with comparative information for 2013

	2014	2013
Cash provided by (used in):		
OPERATING ACTIVITIES:		
Excess of revenue over expenditures	**$ 85,044**	$ 128,282
Items not involving cash:		
Amortization of capital assets	**30,648**	59,268
Amortization of deferred contributions - capital assets	**-**	(26,334)
Amortization of deferred rent	**4,990**	2,963
Change in non-cash operating working capital:		
Accounts receivable	**10,535**	122,618
Prepaid expenses	**(4,966)**	48,787
Accounts payable and accrued liabilities	**22,333**	(36,047)
Net increase (decrease) in deferred contributions - future expenses	**12,763**	(90,874)
	161,347	208,663
CAPITAL ACTIVITIES:		
Purchase of capital assets	**(16,027)**	(38,137)
INVESTING ACTIVITIES:		
Investments, net	**(305,578)**	166,854
INCREASE (DECREASE) IN CASH	**(160,258)**	337,380
CASH, beginning of year	**1,293,690**	956,310
CASH, end of year	**$ 1,133,432**	$ 1,293,690

See accompanying notes to financial statements

1. General:

Economic Development Winnipeg Inc. (EDW or the Organization) is the City of Winnipeg's lead organization for economic development and tourism development. EDW is an arm's length organization led by an independent private sector Board of Directors appointed by the members. The City of Winnipeg and the Province of Manitoba are the members and provide core funding to the Organization.

EDW facilitates investment promotion and attraction, capacity building, marketing and the management of market information. EDW leads global investment attraction, and local business retention and expansion, with its Yes! Winnipeg initiative. EDW is also responsible for the City's tourism development activities, which it orchestrates through its Tourism Winnipeg division. Its mission is to facilitate a healthy, prosperous, responsible and fully integrated tourism industry that enhances Winnipeg's economic growth.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All 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.

The Organization did not incur any remeasurement gains and losses during the year ended December 31, 2014 (2013 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Revenue and Expenditures and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

2. *Significant accounting policies (continued):*

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the Statement of Revenue and Expenditures.

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

c) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

Asset	Rate
Computer hardware and software	2 - 3 years
Office furniture and fixtures	5 years
Leasehold improvements	Over the term of the related lease

d) Deferred rent:

As part of the Organization's operating premises lease, a period of free rent was incurred and is being amortized over the term of the related lease. This lease also has escalating rents which are expensed on a straight-line basis over the period of the lease.

e) Income taxes:

The Organization is a not-for-profit organization under the *Income Tax Act* and, accordingly, is exempt from income taxes, providing certain requirements of the *Income Tax Act* are met.

f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. *Investments:*

Investments consist of investments in money market instruments aggregating $686,979 (2013 - $381,340) and guaranteed investment certificates aggregating $154,974 (2013 - $155,035). The fair value of investments has been determined using Level 1 of the fair value hierarchy.

4. Capital assets:

		Cost		Accumulated Amortization		2014 Net Book Value		2013 Net Book Value
Computer hardware and software	**$**	**211,424**	**$**	**192,550**	**$**	**18,874**	$	32,477
Office furniture and fixtures		**143,197**		**118,828**		**24,369**		19,752
Leasehold improvements		**351,467**		**349,259**		**2,208**		7,843
	$	**706,088**	**$**	**660,637**	**$**	**45,451**	$	60,072

5. Deferred contributions - future expenses:

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

		2014		2013
Balance, beginning of year	**$**	**578,063**	$	668,967
Amounts received during the year		**1,318,292**		1,449,955
		1,896,355		2,118,892
Less: amounts recognized into revenue in the year		**(1,305,529)**		(1,540,829)
Balance, end of year	**$**	**590,826**	$	578,063

Deferred contributions for future expenses are related to the following initiatives:

		2014		2013
Yes! Winnipeg:				
Province of Manitoba funding	**$**	**135,000**	$	135,000
Investors contributions		**395,855**		416,555
Team Winnipeg		**29,745**		21,896
Winnipeg Tour Connection		**5,925**		4,612
She Day 2015		**24,301**		-
Balance, end of year	**$**	**590,826**	$	578,063

6. Deferred contributions - capital assets:

Deferred contributions - capital assets represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Revenue and Expenditures.

		2014		2013
Balance, beginning of year	**$**	**-**	$	26,334
Amount amortized to revenue		**-**		(26,334)
Balance, end of year	**$**	**-**	$	-

7. *Internally restricted:*

(a) Yes! Winnipeg initiative reserve:

The Yes! Winnipeg initiative reserve was established by the Board of Directors during fiscal 2011 to internally restrict net assets of the Organization for funds to be available for contractual obligations in the event that operating funding for the initiative is terminated. The Yes! Winnipeg initiative is funded by $153,500 (2013 - $153,500) included in investments at December 31, 2014 (note 3).

(b) Contingency reserve:

A contingency reserve was established to accumulate funds to be available for employee contractual obligations in the event that operating funding for the Organization is terminated by the City of Winnipeg and the Province of Manitoba. As at December 31, 2014, $23,202 (2013 - $131,273) 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, 2014. The contingency reserve is funded by $675,432 (2013 - $652,230 in cash) included in investments at December 31, 2014 (note 3).

8. *Commitments:*

The Organization is committed under leases for office premises and equipment for a total of $314,400. The minimum lease payments until maturity are as follows:

2015	$ 179,657
2016	134,743

9. *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. During the year, the Convention Development Fund was closed as all funds were utilized at the end of 2013.

The balances of these funds and the income and expenditures associated therewith are not included in these financial statements.

	2014	2013
Convention development fund:		
Balance, beginning of year	**$ -**	$ 72,214
Funds used during the year	**-**	(72,214)
Balance, end of year, and amount of funds held	**$ -**	$ -

	2014	2013
Special event marketing fund:		
Balance, beginning of year	**$ 1,575,378**	$ 1,733,867
Funds received during the year	**311,666**	317,642
Funds used during the year	**(605,601)**	(502,097)
Interest earned	**17,308**	25,966
Balance, end of year, and amount of funds held	**$ 1,298,751**	$ 1,575,378

9. Segregated funds (continued):

The funds of $1,298,751 held at December 31, 2014 have been committed from the special event marketing fund towards several tourism attractions occurring during fiscal 2015. In addition, the following commitments have been entered into from the special marketing fund towards several tourism attractions utilizing funds to be received within the fiscal years or carried over from the previous fiscal year:

2015	$ 1,538,487
2016	153,881
2017	596,108

10. 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, 2014 is the carrying value of these assets.

At December 31, 2014, all accounts receivable were current. There were no amounts past due.

The maximum exposure to investment credit risk is as disclosed in note 3.

There have been no significant changes to the credit risk exposure from 2013.

(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 2015.

There have been no significant changes to the liquidity risk exposure from 2013.

11. 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 $116,482 (2013 - $110,272).

12. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

ECONOMIC DEVELOPMENT WINNIPEG INC.

SCHEDULE - STATEMENT OF REVENUE AND EXPENDITURES - YES! WINNIPEG

Year ended December 31, 2014 with comparative information for 2013

	2014	2013
REVENUE:		
Province of Manitoba funding	**$ 135,000**	$ 135,000
Investors contributions	**982,288**	1,080,646
	1,117,288	1,215,646
EXPENDITURES:		
Initiatives and marketing	**146,088**	111,445
Personnel	**1,007,699**	1,072,514
Administrative	**82,594**	72,578
Occupancy and facilities	**2,558**	1,257
	1,238,939	1,257,794
DEFICIENCY OF REVENUE OVER EXPENDITURES	**$ (121,651)**	$ (42,148)

	2014
Unrestricted Yes! Winnipeg net assets as at December 31, 2013	**$ 183,601**
Deficiency of revenue over expenditures, before transfer from unrestricted operating net assets of the organization	**(121,651)**
Transfer from unrestricted operating net assets of the Organization during the year ended December 31, 2014	**132,996**
Unrestricted Yes! Winnipeg net assets as at December 31, 2014	**$ 194,946**

Yes! Winnipeg is a five year initiative of EDW (January 1,2011 - December 31, 2015). Revenue and expenditures related to the Yes! Winnipeg initiative, which is included in the Statement of Revenue and Expenditures of the Organization, are presented above.

In conjunction with the transfer of net assets of Yes! Winnipeg to the Organization on January 1, 2011, the Board had approved an annual transfer of $132,996 from the unrestricted operating net assets of the Organization towards the operations of the Yes! Winnipeg initiative. For the year ended December 31, 2014, the Organization has allocated $132,996 (2013 - $132,996) of these unrestricted operating net assets towards the operations of the Yes! Winnipeg initiative. At December 31, 2014, the Yes! Winnipeg initiative has unrestricted net assets in aggregate of $194,946 (2013 - $183,601).

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 2014 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported a net loss of $3,237,000 for the year ended December 31, 2014 and a balance of deficit in the amount of $12,641,000 as at December 31, 2014.

The rates of interest earned by the Fund for the years 2005 to 2014 are shown below:

2005	5.55%	2010	3.81%
2006	5.41%	2011	3.41%
2007	5.46%	2012	2.95%
2008	5.15%	2013	3.30%
2009	4.39%	2014	2.13%

Changes in the sinking fund reserve during 2014 are summarized as follows. The total reserve for retirement of debenture debt decreased to $199,453,000 as at December 31, 2014 (2013 - $288,065,000) of which $92,000,000 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.

The Sinking 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.

Respectfully submitted,

E. STEFANSON Chairman

M. RUTA Trustee

N. THEODOROU Trustee

G. STESKI Trustee

L. DERRY Secretary

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	December 31 2014	December 31 2013
ASSETS		
Cash and short-term investments (Note 3)	**$ 20,961**	$ 61,793
Accrued interest receivable	**2,436**	3,867
Investment in bonds and debentures (Schedule 1)	**165,207**	215,337
	$ 188,604	$ 280,997
LIABILITIES, RESERVE AND SURPLUS		
Accrued interest payable (Note 5)	**1,778**	2,321
Accrued liabilities	**14**	15
	1,792	2,336
Reserve for retirement of debenture debt (Note 6)	**199,453**	288,065
(Deficit) (Note 9)	**(12,641)**	(9,404)
	$ 188,604	$ 280,997

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)

	2014	2013
Interest income (Schedule 2)	**$ 7,915**	$ 12,727
Interest requirements - debenture debt reserves	**(5,248)**	(9,010)
Interest requirements - Manitoba Hydro bonds (Note 8)	**(5,943)**	(7,186)
(Deficit) of interest earned under requirements	**(3,276)**	(3,469)
Net gain on disposal of investments	**161**	593
	(3,115)	(2,876)
Administration expenses	**122**	125
Net loss for the year	**$ (3,237)**	$ (3,001)

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)

		2014		2013
Balance, beginning of year	**$**	**(9,404)**	$	(6,403)
Less:				
Net loss for the year		**(3,237)**		(3,001)
Balance, end of year (Note 9)	**$**	**(12,641)**	$	(9,404)

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)

	2014	2013
Balance, beginning of year	**$ 288,065**	$ 370,194
Add:		
Installments - City of Winnipeg (Note 8)	**6,140**	8,861
Interest credited - debenture debt reserves	**5,248**	9,010
	299,453	388,065
Deduct:		
Applied to debt redemption (Note 6)	**100,000**	100,000
Balance, end of year	**$ 199,453**	$ 288,065

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)

	2014	2013
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss	**$ (3,237)**	$ (3,001)
Income accrued - bond residues and coupons	**(133)**	(311)
Net bond premium amortization	**2,315**	1,341
Interest requirements - debenture debt reserves	**5,248**	9,010
Net gain on disposal of investments	**(161)**	(593)
Change in non-cash operating accounts	**887**	473
	4,919	6,919
FINANCING ACTIVITIES		
Applied to debt redemption (Note 6)	**(100,000)**	(100,000)
Installments - City of Winnipeg (Note 8)	**6,140**	8,861
	(93,860)	(91,139)
INVESTING ACTIVITIES		
Acquisition of investments in bonds and debentures	**(35,399)**	(46,546)
Proceeds from bond and debenture sales	**9,727**	15,576
Proceeds from bond and debenture maturities	**73,781**	133,711
	48,109	102,741
Increase (Decrease) in cash and short-term investments	**(40,832)**	18,521
Cash and short-term investments, beginning of period	**61,793**	43,272
Cash and short-term investments, end of period	**$ 20,961**	$ 61,793
Cash and short-term investments consists of:		
Cash	**$ 43**	$ 4,305
Short-term investments	**20,918**	57,488
	$ 20,961	$ 61,793

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2014
(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, 2014 was 2.13% (2013 - 3.30%).

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2014 are as follows:

	2014		2013	
Term To Maturity	**Par Value**	**Book Value**	Par Value	Book Value
Less than one year	$ 78,140	$ 78,912	$ 80,732	$ 81,104
Two to five years	26,244	26,295	72,423	74,233
Greater than five years	60,000	60,000	60,000	60,000
	$ 164,384	$ 165,207	$ 213,155	$ 215,337

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, 2014 the Fund's maximum credit risk exposure at fair market value was $188,785 (2013 - $277,805).

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, 2014 amounted to $92,000 (2013 - $107,000).

5. *Purchase of Winnipeg Hydro by Manitoba Hydro (continued)*

b) Pay all principal and interest received on the Manitoba Hydro bonds to the City for the payment of principal and interest on the Winnipeg Hydro portion of the City's debt.

Accrued interest receivable and identical offsetting accrued interest payable on the Manitoba Hydro bonds amounted to $1,778 at December 31, 2014 (2013 - $2,321).

As the receipt of the Manitoba Hydro bonds represents full funding of all future Sinking Fund installments and interest related to the Winnipeg Hydro portion of the City's Sinking Fund debt, no further amounts are required to be levied and contributed to the Sinking Fund in respect of this portion of the debt.

6. *Reserve for Retirement of Debenture Debt*

Amounts applied to debt redemption on the statement for retirement of debenture debt are as follows :

	Hydro Portion	Other Purposes	Total
Sinking Fund Debt :			
By-law 6300/94	$ 15,000	$ 85,000	$ 100,000

As at December 31, 2014 the reserve for retirement of debenture debt is allocated towards Sinking Fund debentures as follows:

Maturity Year	Amortized Cost			Maturity Value
	Hydro Portion	Other Purposes	Total	
2015	$ 12,000	$ 83,869	$ 95,869	$ 100,000
2017	20,000	23,584	43,584	50,000
2029	60,000	-	60,000	60,000
	$ 92,000	$ 107,453	$ 199,453	$ 210,000

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, 2014, the reserve for retirement of debenture debt includes $92,000 (2013 - $107,000) 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 made the following purchases during 2014 which were all in the normal course of operations for the Fund and were at fair value:

Security		PAR	Purchase Date		Price	Effective Yield
Winnipeg 9.125% due May 12, 2015	$	2,500	Apr. 7	$	108.55	1.251%
Winnipeg 9.125% due May 12, 2015	$	135	Apr. 8	$	108.53	1.249%
Winnipeg 6.25% due Nov. 17, 2017	$	627	Apr. 9	$	115.00	1.923%
Winnipeg 9.125% due May 12, 2015	$	3,000	May 14	$	107.78	1.230%
Winnipeg Coupon due Nov. 15, 2017	$	1,195	Dec. 29	$	94.96	1.803%

In addition, for the year ended December 31, 2014, 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 $6,140 (2013 - $8,861) in levies to the Fund at the amounts prescribed by the applicable Sinking Fund debenture By-laws.

The City of Winnipeg paid $1,782 (2013 - $1,037) 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 $5,937 (2013 - $7,554) of Manitoba Hydro Electric Board bond coupon interest to the City of Winnipeg. These coupon interest payments were at the amount prescribed by The Purchase of Winnipeg Hydro Act.

The Fund paid investment management fees of $100 (2013 - $100) to the City of Winnipeg as required under the Investment Management Agreement.

9. Sinking Fund Deficit

The Fund will pay to the City of Winnipeg the amount of levies actually received by the Fund together with accumulated interest in respect thereof. In the event of a Sinking Fund deficit at the maturity of a Sinking Fund issue, The City of Winnipeg Charter, Section 304(2), authorizes The City of Winnipeg, if it so chooses, to apply to the Minister of Finance to borrow an amount of money sufficient to discharge the Sinking Fund debt in full.

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

Schedule 1

SCHEDULE OF INVESTMENTS

As at December 31
(in thousands of dollars)

	December 31 2014					December 31 2013	
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Book Value	%
Investment in bonds and debentures							
Government of Canada and Government of Canada guaranteed	**$ -**	**$ -**	**-**	**$ -**	**-**	$ 5,487	3
Provincial and Provincial guaranteed (Notes 5 and 6)	**99,963**	**100,198**	**60**	**100,066**	**60**	125,627	58
Municipal	**14,404**	**14,549**	**9**	**14,485**	**9**	35,962	17
City of Winnipeg	**20,122**	**20,768**	**13**	**20,766**	**13**	18,006	8
Corporates	**23,700**	**23,792**	**14**	**23,779**	**14**	17,112	8
	$ 158,189	**159,307**	**96**	**159,096**	**96**	202,194	94
Bond residues and coupons							
Provincial		**4,991**	**3**	**4,976**	**3**	13,143	6
City of Winnipeg		**1,133**	**1**	**1,135**	**1**	-	-
		$ 165,431	**100**	**$ 165,207**	**100**	$ 215,337	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)

	2014	2013
Interest on bonds and debentures	**$ 9,985**	$ 13,334
Income accrued - bond residues and coupons	**133**	311
Bank and short-term investments interest	**109**	412
Securities lending income	**3**	11
Net bond (premium) discount amortization	**(2,315)**	(1,341)
	$ 7,915	$ 12,727

THE CITY OF WINNIPEG
SINKING FUND

STATEMENT OF FINANCIAL POSITION

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

	2014	2013
ASSETS		
Investment in bonds and debentures (Schedule 1)	**$ 49,473**	$ 35,283
Call loans - General Revenue Fund (Note 3)	**1,793**	796
Accrued interest receivable	**555**	304
	$ 51,821	$ 36,383
LIABILITIES		
Premium on Long Term Debt (Note 5)	**$ 20,469**	$ 12,429
RESERVE		
Reserve for retirement of debenture debt	**31,352**	23,954
	$ 51,821	$ 36,383

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)

	2014	2013
Balance, beginning of year	**$ 23,954**	$ 17,612
Add:		
Installments - Waterworks System	**2,836**	2,836
Installments - Municipal Accommodations	**1,476**	408
Interest income (Schedule 2)	**1,357**	800
Installments - Transit System	**1,205**	1,205
Installments - General Revenue Fund	**570**	1,013
Gain on sale of assets	**41**	142
	31,439	24,016
Deduct:		
Transfer to General Revenue Fund - investment management fees	**87**	62
Balance, end of year	**$ 31,352**	$ 23,954

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. *Status of The City of Winnipeg Sinking Fund*

The City of Winnipeg Act was repealed by the Province of Manitoba ("Province") effective January 1, 2003 and replaced by The City of Winnipeg Charter, a statute of the Province. Under the new charter the Public Service became responsible for managing the sinking funds of any sinking fund debenture issued after January 1, 2003.

2. *Significant Accounting Policies*

These financial statements have been prepared in accordance with the significant accounting policies summarized as follows:

a) Bonds and debentures

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

b) Bond residues and coupons

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

3. *Call Loans - General Revenue Fund*

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

4. *Interest Rate and Credit Risk*

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2014 was 3.5% (2013 - 4.5%).

4. Interest Rate and Credit Risk (continued)

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2014 are as follows:

Term To Maturity	**Par Value**	**Book Value**
Greater than five years	$ 46,263	$ 49,473

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, 2014 the Fund's maximum credit risk exposure at fair market value was $57,070 thousand.

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy adopted by City Council.

5. Debt

Included in the Statement of Financial Position is a premium on long term debt issued in 2012 and 2014 offset by investments that will be used for making semi-annual debt service payments on the sinking fund debentures.

THE CITY OF WINNIPEG
SINKING FUND

Schedule 1

SCHEDULE OF INVESTMENTS

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

	2014					2013	
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Book Value	%
Investment in bonds and debentures							
Other Municipalities	**$ 29,142**	**$ 33,461**	**61**	**$ 30,606**	**62**	$ 25,788	73
City of Winnipeg	**15,671**	**19,697**	**36**	**17,452**	**35**	9,495	27
Provincial and Provincial guaranteed	**1,450**	**1,564**	**3**	**1,415**	**3**	-	-
	$ 46,263	**$ 54,722**	**100**	**$ 49,473**	**100**	$ 35,283	100

THE CITY OF WINNIPEG
SINKING FUND

Schedule 2

SCHEDULE OF INTEREST INCOME

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

	2014	2013
Interest on bonds and debentures	**$ 1,342**	$ 786
Call fund interest	**15**	14
	$ 1,357	$ 800

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31

		2014		2013
REVENUE:				
Rental and parking income	**$**	**5,574,684**	$	5,485,198
The Forks Market		**2,168,022**		2,092,193
Theatre		**-**		651,728
Lease		**1,310,810**		1,286,532
Events, sponsorship, grants and recoveries		**1,054,927**		823,080
Investment		**374,842**		315,192
Miscellaneous		**68,146**		67,524
Recovery of prior years' expenses		**8,795**		102,964
		10,560,226		10,824,411
EXPENSES:				
General and administrative		**1,452,183**		1,389,511
Rental and parking		**2,540,723**		2,447,980
The Forks Market		**1,832,221**		1,851,329
Theatre		**-**		841,512
The Forks Site and events		**2,085,309**		1,880,068
Planning and development		**461,982**		295,779
Marketing costs		**399,924**		456,100
Investment costs		**118,207**		78,735
Miscellaneous		**66,808**		39,270
		8,957,357		9,280,284
OPERATING INCOME BEFORE THE FOLLOWING		**1,602,869**		1,544,127
Interest expense		**(654,779)**		(691,268)
INCOME BEFORE AMORTIZATION		**948,090**		852,859
Amortization		**(2,198,644)**		(2,531,656)
LOSS BEFORE THE FOLLOWING		**(1,250,554)**		(1,678,797)
Amortization of deferred contributions from shareholders		**1,159,833**		1,217,077
Unrealized and realized gains		**1,023,343**		425,727
Loss on sale of capital assets		**32,199**		(314,016)
Donations		**(400,000)**		(425,000)
Debt forgiveness		**-**		1,711,637
Net income (loss) before discontinued operations		**564,821**		936,628
Discontinued operations		**-**		(1,398,031)
NET INCOME (LOSS)	**$**	**564,821**	$	(461,403)

See accompanying notes to the consolidated financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2014

	Share Capital	Donated Land	Contributed Surplus	Retained Earnings	2014 Total	2013 Total
Balance, beginning of year	**$ 3**	**$ 8,000,000**	**$ 39,310,266**	**$ 9,231,792**	**$ 56,542,061**	$ 57,003,464
Net income (loss)	**-**	**-**	**-**	**564,821**	**564,821**	(461,403)
Balance, end of year	**$ 3**	**$ 8,000,000**	**$ 39,310,266**	**$ 9,796,613**	**$ 57,106,882**	$ 56,542,061

See accompanying notes to the consolidated financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31

	2014	2013
ASSETS		
Current		
Cash	**$ 471,901**	$ 1,109,020
Restricted cash (Note 6)	**827**	297
Short term investments	**15,487,149**	14,878,285
Trade and other receivables (Note 7)	**638,332**	647,093
Prepaids and other	**200,694**	232,682
Current portion of tenant receivables	**6,152**	5,922
	16,805,055	16,873,299
Long term tenant receivables	**25,778**	29,695
Property, plant and equipment (Note 8)	**14,730,209**	15,025,962
Investment in properties and infrastructure enhancements (Note 9)	**55,025,178**	56,221,647
Deferred charges	**-**	12,500
	$ 86,586,220	$ 88,163,103
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 10)	**$ 2,378,873**	$ 2,723,214
Funds held in trust	**175,658**	250,876
Current portion of mortgage payable (Note 11)	**361,994**	343,235
Current portion of obligation under finance lease (Note 12)	**2,382**	222,508
	2,918,907	3,539,833
Prepaid land rents	**607,295**	615,381
Deferred revenue	**160,000**	146,738
Deferred contributions from shareholders	**14,801,663**	15,961,496
Long term mortgage payable (Note 11)	**10,991,473**	11,355,212
Obligation under finance lease (Note 12)	**-**	2,382
	29,479,338	31,621,042
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized		
Unlimited number of common shares		
Issued		
3 common shares	**3**	3
NET EQUITY	**57,106,879**	56,542,058
	57,106,882	56,542,061
	$ 86,586,220	$ 88,163,103

See accompanying notes to the consolidated financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	2014	2013
Increase (decrease) in cash		
OPERATING		
Net loss	**$ 564,821**	$ (461,403)
Adjustments for:		
Amortization	**2,198,644**	2,531,656
Amortization of deferred contributions	**(1,159,833)**	(1,217,077)
Debt forgiveness	**-**	(1,711,637)
Loss on sale of capital assets	**(32,199)**	314,016
	1,571,433	(544,445)
Net changes in working capital balances		
Trade and other receivables	**8,761**	573,360
Prepaids and other	**31,988**	99,465
Accounts payable and accrued liabilities	**(344,341)**	908,068
Restricted cash	**(530)**	47,357
Funds held in trust	**(75,218)**	19,800
	1,192,093	1,103,605
FINANCING		
Deferred charges	**12,500**	74,468
Prepaid land rents	**(8,086)**	(8,087)
Deferred revenue	**13,263**	(74,903)
Repayment of mortgage payable	**(344,980)**	(403,817)
Repayment of obligation under finance lease	**(222,508)**	(160,226)
	(549,811)	(572,565)
INVESTING		
Purchase of property and equipment	**(1,052,193)**	(1,061,453)
Proceeds from disposal of capital assets	**377,969**	2,138,957
Proceeds from investments held for sale	**-**	1,400,000
Short term investments	**(608,864)**	(2,342,092)
Tenant receivables advanced	**3,687**	5,643
	(1,279,401)	141,055
Net increase in cash	**(637,119)**	672,095
CASH, beginning of year	**1,109,020**	436,925
CASH, end of year	**$ 471,901**	$ 1,109,020

See accompanying notes to the consolidated financial statements.

1. Nature of Operations

Mission

The mission of the organization is to act as a catalyst, encouraging activities for people in downtown through public and private partnerships and revitalization strategies, and to work to ensure financial self-sufficiency.

North Portage shall be a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, educational and entertainment facilities.

The Forks shall be developed as a "Meeting Place", a special and distinct, all season gathering and recreational place at the junction of the Red and Assiniboine Rivers, through a mixed use approach including recreational, historical and cultural, residential and institutional and supportive commercial uses.

Corporation Background

North Portage Development Corporation (the "Corporation" or "NPDC") was incorporated under the Corporations Act of Manitoba on December 13, 1983 and owns land and parking facilities in the North Portage area of Winnipeg, Canada. NPDC is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg.

The Forks Renewal Corporation ("FRC"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on July 24, 1987 and owns land known as The Forks Winnipeg, Canada, and operates The Forks Market.

Manitou Theatre Management Ltd. ("MTML"), previously named North Portage Theatre Corporation, a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on May 27, 1986 and owns the IMAX Theatre at Portage Place, Winnipeg, Canada.

3898211 Manitoba Ltd., a subsidiary of NPTC, was incorporated under the Corporations Act of Manitoba on September 16, 1998 and operated the IMAX Theatre at Portage Place, Winnipeg, Canada.

FNP Parking Inc. ("FNP"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on November 6, 2006 and operates various parking locations in downtown Winnipeg, Canada including The Forks.

The Corporation is not subject to tax under provision 149(1)(d) of the Income Tax Act.

2. *Basis of Presentation*

These financial statements are prepared on a going concern basis, under the historical cost model except for certain financial instruments that are measured at revalued amounts or fair values.

Basis of Consolidation

The financial statements of the Corporation include the financial statements of the Corporation and those of The Forks Renewal Corporation, FNP Parking Inc., 3898211 Manitoba Ltd. and Manitou Theatre Management Ltd., all of which are controlled by the Corporation.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation.

All intra-corporation transactions, balances, income and expenses are eliminated on consolidation.

Statement of Compliance

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies in Note 3 have been applied consistently in all material respects.

3. *Summary of Significant Accounting Policies*

Cash

Cash includes cash on hand and balances with banks, net of any outstanding cheques.

Investment in Subsidiaries

The Corporation determines whether it is a parent by assessing whether it controls an investee. The Corporation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rental and Parking Income

Rental income (including The Forks Market revenue) and monthly parking income is recognized in the period in which the rental agreement relates. Casual parking income is recognized at the time payment is received from the customer.

Theatre Income

Revenue from the theatre is recognized when the service is provided.

Investment Income

Investment income is recognized over the passage of time using the effective interest method.

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

Events, Sponsorship, Grants and Recoveries

Events, sponsorship, government grants and recoveries are recognized in the period in which the related event occurs.

Deferred Revenue

Consists of advance payment received for sponsorship and is recognized as revenue in the period in which the related event occurs.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Corporation as Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Land Rents

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the passage of time for which the amount is received.

Deferred Charges

Deferred charges consist of prepaid building rent. The amounts are being amortized over 10 years.

The Corporation as Lessee

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as an obligation under finance lease. Lease payments are allocated between interest expense and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized immediately in comprehensive income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that inducements to enter into operating leases are received, such inducements are recognized as a liability at the outset of the lease. The benefit is recognized as a reduction of rental expense on a straight-line basis over the life of the lease.

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

Foreign Currencies

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's presentation currency.

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in comprehensive income in the period in which they arise.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

Government Contributions

Government grants are recognized when there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in comprehensive income on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to comprehensive income over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in comprehensive income in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Property, Plant and Equipment

Items of property and equipment are recorded at cost and amortized over their estimated useful lives.

The estimated useful lives, residual values and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Amortization is calculated at the following rates:

Buildings	20-40 years
Building improvements	10-20 years
Equipment and computers	3-10 years
Equipment under finance lease	5 years

Investment Property

Investment properties are measured at cost, including transaction costs of acquisition, less accumulated amortization and accumulated impairment losses.

Amortization is calculated at the following rates:

Buildings	20-40 years
Infrastructure enhancements	40 years

Impairment of Tangible Assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

Debt

All mortgage loans are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest method. Transaction fees, costs, discounts and premiums directly related to the loans and borrowings are recognized in the statement of income and comprehensive income over the expected life of the borrowing. Interest payable is recognized on an accrual basis. Principal payments on mortgage loans due more than twelve months from the date of the balance sheet are classified as non-current liabilities.

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.

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

Financial Assets

Purchase and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Corporation. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Corporation has transferred substantially all the risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include "trade and other receivables" and "long term tenant receivables". They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Short Term Investments

Short term investments consist of GICs, short term investments and active market equities. Investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes recognized in comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized are included in the statement of comprehensive income.

Impairment of Financial Assets

At the end of each reporting period, the Corporation assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and recognized in the statement of comprehensive income.

Financial Liabilities:

Financial liabilities (including borrowings) are measured at amortized cost using the effective interest method.

In these financial statements accounts payable and accrued liabilities and long term debt have been classified as other financial liabilities.

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.

Change in accounting policy

The following new standard is effective for annual periods beginning on or after January 1, 2013: IFRS 13 *Fair value measurement* (IFRS 13). IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 has been applied prospectively and its disclosure requirements need not be applied to comparative information in the first year of application. The Corporation has applied IFRS 13 for the first time in the current year. The adoption of IFRS 13 did not require any changes to the calculation techniques used by the company to measure fair value and did not result in any changes in the carrying value as at April 1, 2013.

Future Changes to Significant Accounting Policies

The IASB is working towards continual improvement through the development of new accounting standards and the annual improvements process. The IASB will issue a number of exposure drafts of new or revised standards over the next several years. The Corporation monitors the IASB work plans and publication to address any developments that may impact the organization.

The IASB published IFRS 9 - replaces IAS 39 - Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

The Corporation is currently evaluating the impact of these standards on its financial statements.

4. *Significant Accounting Judgments, Estimates and Assumptions*

The preparation of the Corporation's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the report date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected.

Judgments Other Than Estimates

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

Operating and Finance Leases

The Corporation has entered into various lease agreements. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer and retention of significant risks and rewards of ownership of the properties covered by the agreements.

Estimates

Useful Lives of Property, Plant and Equipment and Investment Property

The Corporation estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimate useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property, plant and equipment and investment property are analyzed in Notes 8 and 9. Based on management's assessment as at March 31, 2014, there is no change in useful life during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

4. Significant Accounting Judgments, Estimates and Assumptions (continued)

Discontinued Operations

The Corporation estimated the potential future costs associated with the closing of the Imax Theatre at Portage Place, Winnipeg, Canada.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. This applies only to the measurement of the long term debt (see Note 5).

5. Financial Instruments Risk and Fair Value Measurement

Risk Management Objectives and Policies

The Corporation is exposed to various risks in relation to financial instruments. The main types of risks are credit risk and market risk.

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, 2014 is $670,262 (2013 - $682,713).

The Corporation is not exposed to significant credit risk since the receivables are with a significant number of customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

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.

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.

5. Financial Instruments risk and fair value measurement (continued)

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.

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The Corporation does not have any financial instruments in the Level 3 category and there were no transfers between Levels during the year.

The short term investments would be classified as Level 1. 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 Corporation's carrying value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, funds held in trust, and obligation under finance lease approximates their fair value due to the immediate or short term nature maturity of these instruments.

Financial Instruments Measured at Amortized Cost for which the Fair Value is Disclosed

The fair value of the long term debt is impacted by changes in market yields which can result in differences between the carrying value and the fair value if the instruments. The fair value of the long term debt has been estimated based on the current market rates for mortgages and loans of similar terms and conditions. The estimated fair value at March 31, 2014 of the mortgage loan is $12,719,543. The estimated fair value at March 31, 2014 of the term loan is $11,481.

The valuation of the long term debt using current interest rates would be classified as Level 2 of the fair value hierarchy.

6. Restricted Cash

Restricted cash consists of cash held in trust by the Corporation for the Weather Protected Walkway System expansion in downtown Winnipeg. The Corporation is managing the accounting and cash disbursement aspect of this project. The liability, in the same amount as the asset, is included in accounts payable and accrued liabilities.

7. Trade and Other Receivables

		2014		2013
Trade receivables	$	**551,891**	$	546,353
Allowance for doubtful debts		**49,128**		82,900
Net trade receivables		**502,763**		463,453
Government remittances		**(4,866)**		2,413
Other receivables		**140,435**		181,227
	$	**638,332**	$	647,093

The credit period on sale of goods and services is 30 days. The Corporation has recognized an allowance for doubtful debts against all receivables over 120 days because experience has shown that those amounts are not recoverable. Allowances for doubtful debts are recognized against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience.

Aging of receivables that are past due but not impaired

		2014		2013
31-60 days	$	**88,250**	$	64,458
61-90 days		**152,658**		174,864
91+ days		**112,400**		203,920
Total	$	**353,308**	$	443,242

Changes in the allowance for doubtful debts

		2014		2013
Balance at beginning of the year	$	**82,900**	$	76,065
Impairment losses recognized on receivables		**21,515**		63,192
Amounts written off during the year as uncollectible		**(55,287)**		(57,020)
Amounts recovered during the year		**-**		663
Impairment losses reversed		**-**		-
Balance at end of the year	$	**49,128**	$	82,900

In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

8. Property, Plant and Equipment

		2014		2013
Land	$	**9,058,281**	$	9,058,281
Property under construction		**28,033**		116,512
Plant and equipment		**5,389,144**		5,531,965
Equipment under finance lease		**254,751**		319,204
Carrying amounts	$	**14,730,209**	$	15,025,962

For additional information, see the Consolidated Schedule of Property, Plant and Equipment (Schedule 1).

9. Investment in Properties and Infrastructure Enhancements

		2013		2012
Land	**$**	**26,475,184**	$	26,854,274
Building		**13,655,842**		13,749,628
Property under construction		**268,469**		243,161
Infrastructure enhancements		**14,625,683**		15,374,584
Carrying amounts	**$**	**55,025,178**	$	56,221,647

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.

10. Accounts payable and Accrued Liabilities

		2014		2013
Trade payables	**$**	**504,285**	$	828,044
Accruals		**1,745,267**		1,737,189
Current deferred revenue		**129,321**		157,981
	$	**2,378,873**	$	2,723,214

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.

11. Long Term Debt

		2014		2013
Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of $82,940. The loan matures on August 1, 2032 and is secured by a general security agreement together with a first charge on the following lease agreements: Cityscape Residence Corp., The Kiwanis Club of Winnipeg Seniors Building Inc., Fred Douglas Place Ltd. and Portage Place Centre Inc.	**$**	**11,408,724**	$	11,753,264
Unamortized transaction costs		**(66,892)**		(74,481)
		11,341,832		11,678,783
Farm Credit Canada loan bearing interest at 6% per annum, repayable in monthly blended payments of $678. The loan matures on September 1, 2015 and is unsecured.		**11,635**		19,664
		11,353,467		11,698,447
Less: current portion				
Mortgage loans		**(365,794)**		(347,035)
Transaction costs		**3,800**		3,800
	$	**10,991,473**	$	11,355,212

11. Long Term Debt (continued)

Principal repayment terms are approximately:

2015	$	368,115
2016		385,344
2017		403,436
2018		426,801
2019		451,519

12. Obligation Under Finance Lease

Leasing Arrangements:

The Corporation leases certain of its equipment under finance leases. The average lease term is 6.5 years (2013 - 6.5 years). The Corporation has options to purchase the equipment for a nominal amount at the end of the lease terms. The Corporation's finance leases are secured by the lessors' title to the leased assets.

Finance Lease Liabilities:

	Minimum Lease Payments			
		2014		2013
Not later than one year	**$**	**2,382**	$	87,461
Later than one year and not later than five years		**-**		2,358
Less: future finance charges		**-**		(3,446)
Present value of minimum lease payments	**$**	**2,382**	$	86,373
Included in the consolidated financial statements as				
Current portion	**$**	**2,382**	$	222,508
Long term portion		**-**		2,382
	$	**2,382**	$	224,890

13. Government Contributions

		2014		2013
Amounts included in deferred contributions	**$**	**14,801,663**	$	15,961,496
Contributions received in the year		**-**		-
Amounts recognized in income in prior years		**67,679,018**		66,461,941
Annual amortization of deferred contributions		**1,159,833**		1,217,077
Amounts recognized in income in the current year		**-**		-
Donated land		**8,000,000**		8,000,000
Contributed surplus		**39,310,266**		39,310,266
	$	**130,950,780**	$	130,950,780

Manitou Theatre Management Ltd., formerly the North Portage Theatre Corporation (NPTC) received a repayable loan from Manitoba Development Corporation in the amount of $1,800,000. The loan bears interest at 10% per annum after demand. The loan is secured by a fixed and specific mortgage and charge on the theatre air rights and the equipment as well as a floating charge over the assets of NPTC. NPTC is required to make principal payments annually equal to 33 1/3% of net income of the IMAX Theatre at Portage Place. Cumulative repayments to date have been $88,363 (2013 - $88,363). In 2013, Manitoba Development Corporation forgave the remaining balance of the loan.

14. *Share Capital*

Authorized:
Unlimited common shares

	2014	2013
Issued and fully paid:		
3 Common shares	**$ 3**	$ 3

15. *Donated Land*

The Company acquired title and possession of 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and the City of Winnipeg as follows:

	Government of Canada	City of Winnipeg	From Core Area Initiative	Total
Acres	49	3.9	3	55.9

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the FRC Board of Corporation on June 5, 1989. During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg. During 2003, 0.5 acres of donated land were transferred to the City of Winnipeg. During 2007, 1.65 acres of donated land was sold to the City of Winnipeg. The remaining lands under the FRC's ownership are 49.95 acres.

16. *Finance Costs*

	2014	2013
Continuing operations:		
Interest on mortgage payable	**$ 652,938**	$ 671,680
Interest on obligations under finance leases	**1,841**	19,588
	$ 654,779	$ 691,268

17. *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.

	2014	2013
Minimum lease payments	**$ 267,724**	$ 319,225

17. *Operating Lease Arrangements (continued)*

The Corporation as Lessor

Leasing arrangements

Operating leases relate to the investment property owned by the Corporation with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

18. *Commitments*

The Corporation has an obligation to operate the Imax Theatre at Portage Place for a 50 year period, ending in 2035.

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.

19. *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:

	2014	2013
Wages and other short-term benefits	**$ 744,536**	$ 743,467

Government Related Entity:

NPDC has elected to apply the exemption regarding the disclosure of transactions and outstanding balances with government related entities.

20. *Management of Capital*

The Corporation's capital consists of contributed surplus and donated land equity. Donated land was recorded at fair value, as approved by the Board of Corporation in FRC, in 1989.

The capital structure of the Corporation is comprised of the following:

	2014	2013
Total debt and deferred shareholder contributions	**$ 26,157,512**	$ 27,884,833
Capital stock	**3**	3
Net equity	**57,106,879**	56,542,058
	$ 83,264,394	$ 84,426,894

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.

20. Management of Capital (continued)

The Corporation prepares a budget each year, allocating expenses to revenue they expect to earn and funding it expects to receive.

The Corporation monitors capital from time-to-time using a variety of measures which are applicable to its industry. Monitoring procedures are typically performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Corporation to reduce the cost of capital. An investment policy is in place to guide the Corporation in the management of surplus funds. These guidelines ensure that capital is preserved, rates of return are maximized and funds are available as needed.

21. Comparative Figures

Certain of the prior year comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

22. Approval of the Financial Statements

The financial statements were approved by the Board of the Corporation and authorized for issue on June 19, 2014.

Schedule 1

NORTH PORTAGE DEVELOPMENT CORPORATION
CONSOLIDATED SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

	Land	Property under Construction	Plant and Equipment	Equipment Under Finance Lease	Total
Cost					
Balance March 31, 2013	$ 9,058,281	$ 116,511	$ 24,011,342	$ 2,150,856	$ 35,336,990
Additions	-	180,637	507,529	388	688,554
Disposals	-	-	(42,742)	-	(42,742)
Transfer to investments in properties and infrastructure enhancements	-	(269,115)	-	-	(269,115)
Balance March 31, 2014	9,058,281	28,033	24,476,129	2,151,244	35,713,687
Accumulated amortization					
Balance March 31, 2013	-	-	18,479,376	1,831,652	20,311,028
Elimination on disposal of assets					-
Amortization	-	-	(34,451)	-	(34,451)
Write-off	-	-	642,060	64,841	706,901
Balance March 31, 2014	-	-	19,086,985	1,896,493	20,983,478
Carrying amounts	$ 9,058,281	$ 28,033	$ 5,389,144	$ 254,751	$ 14,730,209

NORTH PORTAGE DEVELOPMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENT
IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

Schedule 2

	Land	Building	Property under Construction	Infrastructure Enhancements	Total
Cost					
Balance March 31, 2013	$ 27,385,768	$ 19,958,528	$ 243,161	$ 57,349,440	$ 104,936,897
Additions	-	189,580	25,308	148,745	363,633
Transfer to buildings	-	269,115	-	-	269,115
Disposals	(379,090)	-	-	-	(379,090)
Balance March 31, 2014	27,006,678	20,417,223	268,469	57,498,185	105,190,555
Accumulated amortization					
Balance March 31, 2013	531,494	6,208,900	-	41,974,856	48,715,250
Elimination on disposal of assets	-	-	-	(41,616)	(41,616)
Amortization	-	552,481	-	939,262	1,491,743
Balance March 31, 2014	531,494	6,761,381	-	42,872,502	50,165,377
Carrying amounts	$ 26,475,184	$ 13,655,842	$ 268,469	$ 14,625,683	$ 55,025,178

PHOTO: Cory Aronec

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF FINANCIAL POSITION - WHRC

March 31, 2014

	2014	2013
ASSETS		
Current Assets		
Cash (Note 10)	**$ 2,110,804**	$ 1,569,461
Rents receivable	**5,107**	8,222
Grants receivable (Note 3)	**152,059**	674,912
Other receivables (Note 4)	**364,397**	78,915
Subsidy due from CMHC (Note 5)	**2,937**	2,937
Subsidy due from Manitoba Housing (Note 5)	**243,926**	252,055
Operating deficiency recoverable from Manitoba Housing (Note 6)	**77,278**	134,172
Prepaid expenses	**135,305**	128,552
Housing inventory (Notes 2(b) and 7)	**6,723**	32,073
	3,098,536	2,881,299
Restricted Cash and Deposits		
Replacement Reserve Fund (Notes 2(c) and 8)		
CMHC funded	**53,050**	88,339
Manitoba Housing funded	**3,924,586**	3,985,278
WHRC funded	**334,861**	303,187
	4,312,497	4,376,804
Capital Assets (Notes 2(d) and 9)	**23,898,223**	25,456,447
	$ 31,309,256	$ 32,714,550

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF FINANCIAL POSITION - WHRC (continued)

March 31, 2014

	2014	2013
LIABILITIES, RESERVES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities (Schedule)	**$ 973,335**	$ 969,732
GST payable	**7,096**	-
Accrued interest payable	**174,722**	185,485
Security deposits and prepaid rent	**275,830**	236,169
Current portion of forgivable loans (Notes 2(e) and 11)	**166,986**	166,986
Current portion of long-term debt (Note 12)	**1,554,402**	1,418,344
	3,152,371	2,976,716
Deferred Revenue	**13,642**	3,305
Forgivable Loans (Notes 2(e) and 11)	**1,156,829**	1,323,815
Long-term Debt (Note 12)	**21,595,782**	23,150,127
Replacement Reserves		
Replacement Reserves - CMHC (Notes 2(c) and 8)	**53,050**	88,339
Replacement Reserves - Manitoba Housing (Notes 2(c) and 8)	**3,924,586**	3,985,278
Replacement Reserves - WHRC (Notes 2(c) and 8)	**334,861**	303,187
	4,312,497	4,376,804
WHRC Building and Acquisition Reserve (Note 13)	**1,063,545**	1,045,631
	31,294,666	32,876,398
UNRESTRICTED NET ASSETS (DEFICIT)	**14,590**	(161,848)
	$ 31,309,256	$ 32,714,550

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF CHANGES IN NET ASSETS - WHRC

Year ended March 31, 2014

		2014		2013
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, CMHC PROPERTIES	**$**	**(16,705)**	$	(17,886)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, MANITOBA HOUSING PROPERTIES		**(77,278)**		(134,172)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, WHRC RENTAL AND DEVELOPMENT		**(4,965)**		(15,916)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, WHRC HEAD OFFICE		**198,108**		66,005
EXCESS OF REVENUE OVER EXPENSES		**99,160**		(101,969)
UNRESTRICTED NET ASSETS (DEFICIT), BEGINNING OF YEAR		**(161,848)**		(194,051)
OPERATING DEFICIENCY RECOVERABLE FROM (EXCESS PAYABLE TO) MANITOBA HOUSING (Note 6)		**77,278**		134,172
UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR	**$**	**14,590**	$	(161,848)

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF OPERATIONS - WHRC

Year ended March 31, 2014

	2014	2013
REVENUE		
Rental revenue		
Residential	**$ 2,878,095**	$ 2,846,844
Commercial	**56,709**	55,336
Manitoba Housing subsidy (Note 5)	**3,877,506**	3,882,990
Property management fees	**542,370**	459,304
City of Winnipeg operating grant	**180,000**	195,000
Development fees	**367,652**	131,316
Development project revenue	**2,694,456**	1,815,499
Parking and laundry	**67,519**	69,351
CMHC subsidy (Note 5)	**35,248**	37,960
Other grants	**23,294**	24,602
BCI-RNB Administration fees	**-**	45,000
Interest and other income	**56,830**	36,033
	10,779,679	9,599,235
EXPENSES		
Administration	**326,710**	316,191
Allocation to Replacement Reserve (Note 8)	**387,800**	483,650
Amortization (Note 2(d))	**1,441,736**	1,312,984
Bad debts	**46,669**	34,122
Bank charges and other interest	**4,031**	2,790
Cable T.V.	**947**	879
Collection fees	**4,342**	3,058
Development project cost of sales	**2,694,456**	1,815,499
Garbage removal	**34,712**	26,436
Insurance	**161,708**	209,272
Janitorial services	**283,055**	261,624
Maintenance and repairs	**676,324**	699,034
Mortgage interest	**2,115,477**	2,241,951
Office operations	**97,865**	94,435
Office salaries and benefits	**784,299**	666,863
Professional fees	**40,697**	47,196
Property taxes	**465,220**	455,239
Snow removal	**31,570**	20,692
Electricity	**386,671**	368,468
Natural gas	**214,708**	163,054
Water	**481,522**	477,767
	10,680,519	9,701,204
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$ 99,160**	$ (101,969)

WINNIPEG HOUSING REHABILITATION CORPORATION

STATEMENT OF CASH FLOW - WHRC

Year ended March 31, 2014

	2014	2013
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	**$ 99,160**	$ (101,969)
Add non cash items:		
Amortization	**1,441,736**	1,312,984
Amortization of forgivable loan	**160,262**	160,262
	1,701,158	1,371,277
Change in non-cash working capital:		
Rents receivable	**3,115**	9,614
Grants receivable	**522,853**	(552,789)
Other receivables	**(285,482)**	40,364
Subsidy due from CMHC	**-**	247
Subsidy due from Manitoba Housing	**8,129**	(2,079)
Prepaid expenses	**(6,753)**	(15,452)
Housing inventory	**25,350**	548,958
Accounts payable and accrued liabilities	**3,603**	434,677
GST payable	**7,096**	-
Accrued interest payable	**(10,763)**	(10,044)
Security deposits and prepaid rent	**39,661**	(13,220)
Deferred revenue	**10,337**	(46,195)
	2,018,304	1,765,358
INVESTING ACTIVITIES		
Purchase of capital assets	**(43,774)**	(4,280)
Increase (decrease) in Manitoba Housing replacement reserve	**(60,692)**	314,010
Increase (decrease) in CMHC replacement reserve	**(35,289)**	17,921
Increase in WHRC replacement reserve	**31,674**	33,963
Increase in WHRC building and acquisition reserve	**17,914**	19,149
	(90,167)	380,763
FINANCING ACTIVITIES		
Increase (decrease) in forgivable loans	**(166,986)**	(166,986)
Repayment of long-term debt	**(1,418,287)**	(1,299,940)
Manitoba Housing recoveries	**134,172**	(31,632)
	(1,451,101)	(1,498,558)
INCREASE IN CASH	**477,036**	647,563
CASH, BEGINNING OF YEAR	**5,946,265**	5,298,702
CASH, END OF YEAR (NOTE 14)	**$ 6,423,301**	$ 5,946,265

WINNIPEG HOUSING REHABILITATION CORPORATION
NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

1. *Accounting Entity*

The corporation is engaged in providing affordable housing in the Core Area of Winnipeg. The corporation is mandated by the City of Winnipeg, but receives assistance by way of government sponsorship through Canada Mortgage and Housing Corporation (CMHC) and Manitoba Housing. The corporation's activities include a property management head office, management of individual properties and a housing development program. The corporation is not taxable under section 149 of the Income Tax Act.

For GST purposes, the corporation is designated as a municipality and is able to recover 100% of the GST paid.

2. *Significant Accounting Policies*

The financial statements of the corporation have been prepared solely for the information and use of CMHC and Manitoba Housing to comply with each of their operating agreements. The corporation follows certain accounting principles as determined by CMHC and Manitoba Housing for administration and funding purposes in recording expenses.

a) Basis of accounting

The corporation follows the accrual basis of accounting whereby revenue is recognized when earned and expenses are recorded when incurred.

b) Housing Inventory

Housing inventory is recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. No amortization is being taken on the housing inventory. These buildings are construction in progress.

c) Replacement Reserve Fund

The Replacement Reserve Fund accounts are maintained to provide for future asset replacement. The accounts are established by an annual charge against operations. Interest earned is added and replacement costs are charged directly against the accumulated reserves.

d) Capital Assets

Capital assets are recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. Government grants received to assist in the development of rental properties are applied against the capital cost of the respective property. Interest expense, project costs and rental revenue, incurred prior to the determined interest adjustment date, are applied towards the capital cost of the property. Furniture and equipment costing less than $1,000 are expensed. Options and feasibility studies are added to the cost of acquired property or expensed if the property is not acquired. Any forgivable loans received are charged against the capital cost of the property.

2. *Significant Accounting Policies (Continued)*

Amortization is provided for as follows:

Computer equipment	- straight-line over three years
Furniture and equipment	- straight-line over five years
System software	- 30% of the opening net book value of the asset
Rental properties	- an amount equal to the principal reduction of the mortgage, in accordance with the requirements of the organization's funding bodies
	- for properties not financed by debt, an amount equal to 4% of the opening net book value of the property
General	- a replacement reserve is maintained to provide for future asset replacement.

e) Forgivable Loans

The corporation receives funding from different organizations. These loans are to be forgiven over 15 years from the completion date of the property.

f) Revenue Recognition

The corporation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectability is reasonably assured.

Rental, parking and laundry revenue and property management fees are recognized over the term of the lease.

g) Financial Instruments

Financial instruments held by the corporation include cash, rents receivable, other receivables, restricted cash and deposits, accounts payable and accrued liabilities, accrued interest payable, and long term debt. The corporation initially measures its financial instruments at fair market value and subsequently measures its financial instruments at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition, less principal repayments, plus or minus the cumulative difference between that initial amount and the maturity amount, and minus any reduction for impairment.

3. *Grants Receivable*

The corporation has the following grants that are receivable from the Province of Manitoba and the City of Winnipeg:

	2014	2013
Infill Housing Project		
AHI Province of Manitoba	**$ 118,059**	$ 638,912
City of Winnipeg	**34,000**	36,000
	$ 152,059	$ 674,912

4. *Other Receivables*

	2014	2013
Operating grant	**$ 45,000**	$ 45,000
Permit deposits	**2,100**	2,100
CMHC holdback	**5,000**	5,000
GST receivable	**-**	23,771
Development fees	**258,142**	-
NMF/MU building grant	**52,997**	-
Miscellaneous receivables	**1,158**	3,044
	364,397	78,915

5. *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.

6. *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.

	2014	2013
Operating deficiency recoverable from (excess payable to) Manitoba Housing	**$ 77,278**	$ 134,172

7. *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:

	2014	2013
Spence		
419 Sherbrook Street	**$ 2,241**	$ **4,483**
663 Furby Street	**2,241**	**4,483**
452 Langside Street	**2,241**	**4,483**
	6,723	**13,449**
Centennial		
422/426 Ross Avenue	**-**	18,624
	$ 6,723	$ 32,073

8. 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.

	2014	2013
Allocation		
Annual charge	**$ 387,800**	$ 483,650
Year end balance		
Cash	**$ 408,277**	$ 499,618
Canadian Treasury Bills, Bonds and Guaranteed Investment Certificates	**3,904,220**	3,877,186
	$ 4,312,497	$ 4,376,804

9. Capital Assets

	2014		2013	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Rental properties	**$ 39,168,079**	**$ 15,314,675**	$ 39,314,307	$ 13,890,006
Furniture and equipment	**270,322**	**246,328**	265,083	232,937
Computer system software	**24,500**	**3,675**	-	-
	$ 39,462,901	**$ 15,564,678**	$ 39,579,390	$ 14,122,943
Net book value	**$ 23,898,223**		$ 25,456,447	

10. 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 $55,030 of this line of credit as at March 31, 2014 (2013 - $166,721). Included in cash is $272,635 (2013 - nil) of excess restricted funds related to rental and development.

11. Forgivable Loans

	2014	2013
Forgivable loans	**$ 1,323,815**	$ 1,490,801
Less: current portion	**166,986**	166,986
	$ 1,156,829	$ 1,323,815

WHRC has entered into various forgivable loan agreements with Manitoba Housing under various programs. These loans are forgivable over 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.

11. Forgivable Loans (Continued)

The loans will be forgiven for the years ended as follows:

March 31,	2015	$	166,986
	2016		160,262
	2017		155,333
	2018		154,833
	2019		154,133
	Thereafter		532,268
		$	1,323,815

12. Long-Term Debt

Lender	Interest Rate	Maturity Dates		**2014**		2013
Assiniboine Credit Union	3.59%	2018-2031	**$**	**252,582**	$	264,830
TD Canada Trust	5.10%	2017		**720,235**		742,756
Canada Mortgage Housing Corporation	1.62% - 4.54%	2017-2021		**3,286,468**		3,594,466
Manitoba Housing	6.63% - 12.50%	-		**18,890,899**		19,966,419
				23,150,184		24,568,471
Less: current portion				**1,554,402**		1,418,344
			$	**21,595,782**	$	23,150,127

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,	2015	$	1,554,402
	2016		1,684,611
	2017		1,811,765
	2018		1,970,888
	2019		1,979,520
	Thereafter		13,053,126
CMHC second mortgages			1,095,872
		$	23,150,184

13. 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.

14. Additional Information to Cash Flow Statement

		2014		2013
Cash represented by:				
Cash	**$**	**2,110,804**	$	1,569,461
Restricted cash and deposits		**4,312,497**		4,376,804
	$	**6,423,301**	$	5,946,265
Interest received	**$**	**119,846**	$	145,900
Interest paid		**2,126,744**		2,252,965

15. 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.

16. 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.

17. Risk Management

a) Interest Rate Price Risk

It is management's opinion that the organization is exposed to interest rate risk due to its holding of guaranteed investment certificates with fixed interest rates and long-term with fixed interest rates.

b) Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are paid in the normal course of buisness and except under certain exceptions, no later than three months.

The organization's approach to managing liquidity risk is to ensure, as far as posssible, that it will always have sufficient liquidity to meet liabilities when due.

17. Risk Management (Continued)

c) Credit Risk

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of cash, restricted cash and accounts receivable. Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

18. Comparative Figures

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

THE CITY OF WINNIPEG
COUNCIL PENSION BENEFITS PROGRAM
(Established under By-law 7869/2001)

STATEMENT OF FINANCIAL POSITION

As at December 31

	2014	2013
ASSETS		
Investments		
Cash and short-term deposits (Note 3)	**$ 808,130**	$ 120,001
Canadian securities (Note 3)	**3,305,003**	3,479,528
	4,113,133	3,599,529
Accrued interest (Note 3)	**28,526**	32,945
Due from the City of Winnipeg	**5,308**	3,328
Total Assets	**4,146,967**	3,635,802
LIABILITIES		
Accounts payable and accrued liabilities	**44,970**	44,787
Commuted value benefit payable (Note 4)	**670,138**	-
Total Liabilities	**715,108**	44,787
NET ASSETS AVAILABLE FOR BENEFITS	**3,431,859**	3,591,015
OBLIGATION FOR PENSION BENEFITS (Note 5)	**3,795,499**	3,945,291
NET ASSETS AVAILABLE FOR BENEFITS LESS OBLIGATION FOR PENSION BENEFITS	**$ (363,640)**	$ (354,276)

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

	2014	2013
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg (Note 6)	**$ 329,992**	$ 1,100,691
Plan members	**110,909**	108,009
	440,901	1,208,700
Investment income from		
Canadian securities	**85,781**	80,242
Cash and short-term deposits	**605**	818
	86,386	81,060
Current period change in fair value of investments	**337,296**	-
Total increase in assets	**864,583**	1,289,760
DECREASE IN ASSETS		
Administrative expenses		
Actuarial fees	**64,361**	25,031
Investment management, audit and administrative fees	**16,023**	14,390
	80,384	39,421
Benefit payments		
Commuted value benefit (Note 4)	**878,757**	-
Pension payments	**64,598**	62,566
	943,355	62,566
Current period change in fair value of investments	**-**	285,200
Total decrease in assets	**1,023,739**	387,187
(Decrease) increase in net assets	**(159,156)**	902,573
Net assets available for benefits at beginning of year	**3,591,015**	2,688,442
Net assets available for benefits at end of year	**$ 3,431,859**	$ 3,591,015

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

		2014		2013
OBLIGATION FOR PENSION BENEFITS AT BEGINNING OF YEAR	**$**	**3,945,291**	$	3,771,072
Benefits accrued		**382,347**		424,548
Changes in actuarial assumptions		**286,559**		(369,558)
Interest accrued on benefits		**197,898**		181,795
Benefits paid		**(943,355)**		(62,566)
Experience gains and losses		**(73,241)**		-
OBLIGATION FOR PENSION BENEFITS AT END OF YEAR	**$**	**3,795,499**	$	3,945,291

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, 2014

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 benefit 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

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 Index (Canada) from the date the pension commences to be paid.

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.

1. *Description of Plan (continued)*

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 Index (Canada) up to the date the deferred pension commences to be paid.

g) Re-election

If a Program member who is receiving a pension from the Program is re-elected, the Program member's pension will be suspended prior to the Program member becoming an elected official with the City and their years of credited service will be added to the Program member's years of credited service after re-election.

h) Administration

The Program is administered by the Council Pension Benefits Board ("Board") which is comprised of three representatives appointed by the Council, only one of whom may be a Councillor, and the Chief Financial Officer of the City or his or her designate.

2. *Significant Accounting Policies*

a) Basis of presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Program as a separate financial reporting entity, independent of the sponsor and Program members. They are prepared to assist Program members and others in reviewing the activities of the Program for the fiscal period.

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. In selecting accounting policies that do not relate to its investment portfolio or pension obligations the program applies on a consistent basis Canadian accounting standards for private enterprises ("ASPE").

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.

2. *Significant Accounting Policies (continued)*

ii) Subsequent to initial recognition

Investments are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in the statement of changes in net assets available for benefits in the period incurred. Other financial instruments are measured at amortized cost.

c) Investments

i) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Plan measures fair value of investments using quoted prices in an active market. The Plan uses closing market prices as a practical expedient for fair value measurement.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of current period change in fair value of investments.

Fair values of investments are determined as follows:

Canadian securities are valued at year-end quoted closing prices.

Cash and short-term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

ii) Income recognition

Income from investments is recorded on an accrual basis and includes interest income, dividends and other income.

d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of net assets, changes in net assets, and related disclosures. Actual results could differ from those estimates. The most significant use of estimates is the assumptions used in the actuarial valuation and extrapolation for the obligation for pension benefits (Note 5).

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

Foreign currency exposure arises from the Plan holding Canadian dollar investment funds with underlying investments, held in the fund, denominated in currencies other than the Canadian dollar. Fluctuations in the value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. The fund is exposed to fluctuations of multiple currencies, most notably the U.S. dollar.

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 is intended to mirror the liabilities of the Plan.

As at December 31, 2014, a decline of 10 percent in value of Canadian securities, with all other variables held constant, would have impacted the Plan's Canadian securities by an approximate unrealized loss of $331,000 (2013 - $348,000).

b) Credit risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. At December 31, 2014, the Plan's maximum credit risk exposure relates to accrued interest, cash and short-term deposits totalling $836,656 (2013 - $152,946).

3. Risk Management (continued)

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, 2014 and 2013 in valuing the Plan's financial assets recorded at fair value:

	Level 1	Level 2	Level 3	**2014 Total**
Cash and short-term deposits	**$ 808,130**	**$ -**	**$ -**	**$ 808,130**
Canadian securities	**3,305,003**	**-**	**-**	**3,305,003**
	$ 4,113,133	**$ -**	**$ -**	**$ 4,113,133**

	Level 1	Level 2	Level 3	2013 Total
Cash and short-term deposits	$ 120,001	$ -	$ -	$ 120,001
Canadian securities	3,479,528	-	-	3,479,528
	$ 3,599,529	$ -	$ -	$ 3,599,529

Canadian securities consist of the following:

	2014	2013
iShares real return bond index fund	**$ 1,965,109**	$ 2,072,764
iShares MSCI World Index ETF	**667,920**	-
iShares Core S-P/TSX Capped Comp Index ETF	**343,656**	-
iShares Canadian Long Term Bond Index ETF	**328,318**	-
iShares S&P/TSX 60 index fund	**-**	1,112,800
BMO long federal bond index fund	**-**	293,964
	$ 3,305,003	$ 3,479,528

4. Commuted Value Benefit

The commuted value benefit represents termination benefits under Part A that are payable to elected officials who left office after the 2014 civic election. The benefit is the result of a choice made by the member to take out the commuted value benefit. The benefit is actuarially determined and complies with the Income Tax Act (Canada). Amounts owing elected officials at December 31, 2014 are classified as commuted value benefit payable.

5. *Obligation for Pension Benefits*

An actuarial valuation of the Program was prepared as at December 31, 2014 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 4.7% (2013 - 5.4%) per annum, a rate of return on assets of 4.7% (2013 - 5.4%) per annum, and a general rate of salary increase of 2.5% (2013 - 2.5%) per annum.

The obligation for pension benefits is comprised of the following:

	2014	2013
Part A	**$ 3,733,309**	$ 3,730,232
Part B	**62,190**	215,059
	$ 3,795,499	$ 3,945,291

6. *Contributions*

	2014	2013
Current service	**$ 329,992**	$ 318,691
Special contributions (Note 7)	**-**	782,000
	$ 329,992	$ 1,100,691

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.

7. *Capital Management*

For Part A, the main objective of the Board is to sustain a level of net assets in order to meet the pension obligation of Part A. The Board fulfills this objective by ensuring member and City contributions are remitted to the pension fund in accordance with the terms of Part A and adhering to specific investment policies including asset mix and rate of return expectations, outlined in the Board approved Statement of Investment Policies and Procedures. Investment policy, strategies and performance are reviewed regularly by the Board.

For Part A, the City is responsible for ensuring that the actuarial liabilities of the Plan are adequately funded. The Board is required to have an actuarial funding valuation for Part A filed with Canada Revenue Agency. The most recent actuarial funding valuation filed for Part A was prepared by Mercer for the period ended December 31, 2011 and reported a $782 thousand shortfall that was funded by the City of Winnipeg during 2013. The next actuarial funding valuation for Part A as at December 31, 2014 will be completed in 2015.

For Part B, the City pays the full cost of benefits and expenses as they become payable.

8. *Related Party Transactions*

The Program receives administrative support from the City at no cost to the Program.

PHOTO: AJ Batac

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF FINANCIAL POSITION

As at December 31
(in $ thousands)
(Unaudited)

	2014	2013
ASSETS		
Investments, at fair value		
Bonds and debentures	**$ 262,674**	$ 241,296
Canadian equities	**356,032**	328,195
Foreign equities	**391,911**	367,318
Cash and short-term deposits	**41,155**	57,173
Private equities	**21,387**	18,190
Real estate	**90,803**	83,810
Infrastructure	**69,602**	26,160
	1,233,564	1,122,142
Participants' contributions receivable	**5**	-
Employers' contributions receivable	**22**	1
Accounts receivable	**380**	241
Due from The Winnipeg Civic Employees' Pension Plan	**-**	7
Total Assets	**1,233,971**	1,122,391
LIABILITIES		
Accounts payable	**2,079**	2,128
Due to The Winnipeg Civic Employees' Pension Plan	**23**	-
Total Liabilities	**2,102**	2,128
NET ASSETS AVAILABLE FOR BENEFITS	**1,231,869**	1,120,263
PENSION OBLIGATIONS	**1,128,967**	1,034,654
SURPLUS	**$ 102,902**	$ 85,609
SURPLUS COMPRISED OF:		
Main Account - General Component	**$ 90,266**	$ 75,949
Main Account - Contributions Stabilization Reserve	**1,918**	-
Plan Members' Account	**10,698**	9,660
City Account	**20**	-
	$ 102,902	$ 85,609

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 year ended December 31
(in $ thousands)
(Unaudited)

	2014	2013
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	**$ 23,141**	$ 20,954
Employees	**12,299**	11,282
Reciprocal transfers from other plans	**479**	598
	35,919	32,834
Investment income (Note 5)	**28,116**	26,978
Current period change in fair value of investments	**95,425**	153,056
Total increase in assets	**159,460**	212,868
DECREASE IN ASSETS		
Pension payments	**41,925**	41,660
Lump sum benefits (Note 7)	**1,435**	553
Administrative expenses (Note 8)	**876**	909
Investment management and custodial fees	**3,618**	2,775
Total decrease in assets	**47,854**	45,897
Increase in net assets	**111,606**	166,971
Net assets available for benefits at beginning of year	**1,120,263**	953,292
Net assets available for benefits at end of year	**$ 1,231,869**	$ 1,120,263

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the year ended December 31
(in $ thousands)
(Unaudited)

	2014	2013
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	**$ 1,034,654**	$ 1,014,501
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	**61,952**	58,047
Benefits accrued	**36,586**	33,429
Changes in actuarial assumptions	**50,202**	-
Total increase in accrued pension benefits	**148,740**	91,476
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	**43,360**	42,213
Experience gains and losses and other factors	**10,137**	10,176
Changes in actuarial assumptions	**-**	18,063
Administration expenses	**930**	871
Total decrease in accrued pension benefits	**54,427**	71,323
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	**94,313**	20,153
ACCRUED PENSION BENEFITS, END OF YEAR	**$ 1,128,967**	$ 1,034,654

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

For the year ended December 31
(in $ thousands)
(Unaudited)

	2014	2013
SURPLUS (DEFICIT), BEGINNING OF YEAR	**$ 85,609**	$ (61,209)
Increase in net assets available for benefits for the year	**111,606**	166,971
Increase in accrued pension benefits for the year	**(94,313)**	(20,153)
SURPLUS, END OF YEAR	**$ 102,902**	$ 85,609

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

For the year ended December 31,
(in $ thousands)
(Unaudited)

	2014				
	Main Account-General Component	Main Account-Contribution Stabilization Reserve	Plan Members' Account	City Account	**Total**
INCREASE IN ASSETS					
Contributions					
The City of Winnipeg	$ 23,141	$ -	$ -	$ -	**$ 23,141**
Employees	12,299	-	-	-	**12,299**
Reciprocal transfers from other plans	479	-	-	-	**479**
	35,919	-	-	-	**35,919**
Investment income (Note 5)	27,828	45	243		**28,116**
Current period change in fair value of investments	94,450	147	826	2	**95,425**
Transfer to Contribution Stabilization Reserve - Resolution of funding surplus (Note 3)	(1,732)	1732	-	-	-
Transfer to City Account - Resolution of funding deficiency (Note 3)	(18)	-	-	18	-
Total increase in assets	156,447	1,924	1,069	20	**159,460**
DECREASE IN ASSETS					
Pension payments	41,925	-	-	-	**41,925**
Lump sum benefits (Note 7)	1,435	-	-	-	**1,435**
Administrative expenses (Note 8)	876	-	-	-	**876**
Investment management and custodial fees	3,581	6	31	-	**3,618**
Total decrease in assets	47,817	6	31	-	**47,854**
Increase in net assets	108,630	1,918	1,038	20	**111,606**
Net assets available for benefits at beginning of year	1,110,603	-	9,660	-	**1,120,263**
Net assets available for benefits at end of year	$ 1,219,233	$ 1,918	$ 10,698	$ 20	**$ 1,231,869**

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,
(in $ thousands)
(Unaudited)

	2013				
	Main Account-General Component	Main Account-Contribution Stabilization Reserve	Plan Members' Account	City Account	Total
INCREASE IN ASSETS					
Contributions					
The City of Winnipeg	$ 20,954	$ -	$ -	$ -	$ 20,954
Employees	11,282	-	-	-	11,282
Reciprocal transfers from other plans	598	-	-	-	598
	32,834	-	-	-	32,834
Investment income (Note 5)	26,746	-	232	-	26,978
Current period change in fair value of investments	151,742	-	1,314	-	153,056
Transfer from Contribution Stabilization Reserve - Resolution of funding deficiency (Note 3)	18,131	(18,131)	-	-	-
Total increase (decrease) in assets	229,453	(18,131)	1,546	-	212,868
DECREASE IN ASSETS					
Pension payments	41,660	-	-	-	41,660
Lump sum benefits (Note 7)	553	-	-	-	553
Administrative expenses (Note 8)	909	-	-	-	909
Investment management and custodial fees	2,750	-	25	-	2,775
Total decrease in assets	45,872	-	25	-	45,897
Increase (decrease) in net assets	183,581	(18,131)	1,521	-	166,971
Net assets available for benefits at beginning of year	927,022	18,131	8,139	-	953,292
Net assets available for benefits at end of year	$ 1,110,603	$ -	$ 9,660	$ -	$ 1,120,263

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 3

SCHEDULE OF CHANGES IN SURPLUS (DEFICIT) BY ACCOUNT

For the year ended December 31,
(in $ thousands)
(Unaudited)

	2014				
	Main Account- General Component	Main Account- Contribution Stabilization Reserve	Plan Members' Account	City Account	**Total**
SURPLUS, BEGINNING OF YEAR	$ 75,949	$ -	$ 9,660	$ -	**$ 85,609**
Increase in net assets available for benefits for the year	108,630	1,918	1,038	20	**111,606**
Net increase in accrued pension benefits for the year	(94,313)	-	-	-	**(94,313)**
SURPLUS, END OF YEAR	$ 90,266	$ 1,918	$ 10,698	$ 20	**$ 102,902**

For the year ended December 31,
(in $ thousands)
(Unaudited)

	2013				
	Main Account- General Component	Main Account- Contribution Stabilization Reserve	Plan Members' Account	City Account	Total
(DEFICIT) SURPLUS, BEGINNING OF YEAR	$ (87,479)	$ 18,131	$ 8,139	$ -	$ (61,209)
Increase (decrease) in net assets available for benefits for the year	183,581	(18,131)	1,521	-	166,971
Net increase in accrued pension benefits for the year	(20,153)	-	-	-	(20,153)
SURPLUS, END OF YEAR	$ 75,949	$ -	$ 9,660	$ -	$ 85,609

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014
(in $ thousands)
(Unaudited)

1. *Description of Plan*

a) General

The *Winnipeg Police Pension Plan* is a defined benefit pension plan, which provides pension benefits for City of Winnipeg police officers. All police officers are required to become members of the *Plan* at the commencement of their employment.

b) Administration

The *Plan* is administered by the *Winnipeg Police Pension Board* which is comprised of two voting members appointed by the Winnipeg Police Association, appointed on behalf of Police Officers who are Active Members; one voting member appointed by the Winnipeg Police Senior Officers Association, appointed on behalf of the senior police officers who are Active Members; one voting member elected by the Non-Active Members and other beneficiaries under the *Plan*; and five voting members appointed by the City.

The Board also consists of a maximum of four non-voting members, one of whom may be appointed by each of the Winnipeg Police Association, the Winnipeg Police Senior Officers' Association, and the City of Winnipeg, respectively, and one of whom may be elected by the Non-Active Members or, if no election is held, appointed by the Non-Active Member Representative on behalf of the Non-Active Members.

The Plan is registered under the *Pension Benefits Act* of Manitoba. The *Plan* is a registered pension plan under the *Income Tax Act*, and is not subject to income taxes.

c) Financial structure

The *Winnipeg Police Pension Plan* is comprised of three Accounts, namely the Main Account (which has two components being the General Component and the Contribution Stabilization Reserve), the Plan Members' Account and the City Account.

i) Main Account - General Component

All benefits of the Pension Plan are paid from the Main Account - General Component.

Employees contribute 8% of earnings to the Main Account. If the Contribution Stabilization Reserve is sufficient to provide a transfer to fund the difference between the current service cost of benefits accrued during the year and matching employee and City contributions and to the extent provincial funding regulations permit such a transfer, then the City matches the employee contributions during the year.

If the Contribution Stabilization Reserve is insufficient to provide the above transfer or if provincial funding regulations restrict such a transfer, then the City contributes the balance of the current service cost of benefits accrued during the year, including 2% of earnings for post-retirement cost-of-living adjustments, in excess of the employees' contributions

1. Description of Plan (continued)

c) Financial structure (continued)

ii) Main Account - Contribution Stabilization Reserve

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account - General Component, the portion of the current service cost of benefits that exceeds the employees' and City's contributions. In accordance with Provincial funding regulations the Contribution Stabilization Reserve can be used to reduce the City's contributions only to the extent of the balance in excess of 5% of the Plan's solvency liabilities. The balance of the Contribution Stabilization Reserve has been below this threshold since 2012.

iii) Plan Members' Account

In order to ensure that the *Plan* members will receive a benefit equal to the benefit received by the City through the contribution holidays that it took in 2001 and 2002, the Plan Members Account was established effective January 1, 2003 with an initial balance equal to the amount of the City's contribution holidays adjusted for investment income up to December 31, 2002

The Plan Members' Account will be credited with any share of future actuarial surpluses that are allocated to the *Plan* Members in accordance with the Plan.

iv) City Account

The City Account is credited with the share of future actuarial surpluses that are allocated to the City in accordance with the *Plan.*

d) Retirement pensions

The *Plan* provides for retirement at or after age 55 or following completion of 25 years of credited service. The *Plan* allows early retirement at age 50 or completion of at least 20 years of credited service subject to an early retirement pension reduction. The pension formula prior to age 65 is equal to 2% of the average earnings in the 60 consecutive months in which the earnings are highest ("Best Average Earnings") for each year of credited service. The pension formula after age 65 is equal to 1.4% of Best Average Canada Pension Plan earnings plus 2% of Best Average Non-Canada Pension Plan earnings for each year of credited service. Pensions are subject to the maximum benefit limits prescribed for registered pension plans under the Income Tax Act

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the Plan text, which level is currently 47.8% (2013 - 47.0%) of the percentage change in the Consumer Price Index for Canada.

e) Disability pensions

A member, who has completed at least fifteen years of credited service, and who has become totally and permanently disabled may apply for a disability pension

f) Survivor's benefits

The *Plan* provides survivor pensions or lump sum benefits on death prior to retirement. On death after retirement, eligible surviving spouses normally receive 66 2/3% of the member's pension

1. Description of Plan (continued)

g) Termination benefits

Upon application and subject to vesting and locking-in provisions, deferred pensions or equivalent lump sum benefits are payable when a member terminates employment with the City

h) Variation in benefits

The *Plan* provides that the rate of cost-of-living adjustment to pensions may be increased using funds available in the Plan Members' Account or may be reduced in the event of a funding deficiency

2. Summary of Significant Accounting Policies

a) Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans on a going concern basis and present the aggregate financial position of the *Plan* as a separate financial reporting entity, independent of the City and *Plan* members. They are prepared to assist *Plan* members and others in reviewing the activities of the *Plan* for the fiscal period.

These financial statements include the financial statements of the *Plan* and its wholly-owned subsidiary, 5332665 Manitoba Ltd., which was incorporated on July 14, 2006. The *Plan* accounts for its investment in its subsidiary on a non-consolidated basis and presents it at fair value. The purpose of the subsidiary corporation is to invest in and hold certain private equity investments on behalf of the *Plan.*

b) Investments and investment income

Investments are stated at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions

Publicly traded equity investments are valued using published market prices. For private equity and infrastructure investments, where quoted market prices are not available, various methods of valuation are used by the external managers to determine fair value including the use of: discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Real estate investments are valued based on the most recent valuations or appraisals of the underlying properties.

Fixed income investments are valued either using published market prices or by applying valuation techniques that utilize observable market inputs.

Cash and short-term investments are recorded at cost, which, together with accrued interest income approximates fair value.

Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

The *Plan's* investment income, current period change in fair value of investments and investment management and custodial fees are allocated between the Accounts and Reserve based on the average balance of each Account and Reserve during the year.

2. Summary of Significant Accounting Policies (continued)

c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

d) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets, obligations, and surplus during the year. Actual results could differ from those estimates. Items within the financial statements which require significant estimates and judgment include the pension obligation and the fair value of investments.

3. Obligations for Pension Benefits

An actuarial valuation of the *Plan* was performed as of December 31, 2013 by Eckler Ltd. The results of the December 31, 2013 actuarial valuation were extrapolated to December 31, 2014, with the exception of certain assumptions being updated to reflect economic circumstances for 2014, to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2014. For the comparative 2013 figures, the actuarial present value of accrued benefits at December 31, 2013 is based on the December 31, 2013 actuarial valuation performed by Eckler Ltd. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used included a valuation interest rate of 5.75% (2013 – 6.0%) per year, inflation of 2.0% (2013 – 2.0%) per year and general increases in pay of 3.50% (2013 - 3.25%) per year. The change in the valuation interest rate from 6.00% to 5.75% increased the obligations for pension benefits by $41,800 and the increase in the general increases in pay assumption from 3.25 % to 3.50% increased the obligations for pension benefits by $5,800. The economic assumptions with respect to commuted values were revised, increasing obligations for pension benefits by $300. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience.

These assumptions were approved by the *Winnipeg Police Pension Board.* The actuarial present value of accrued benefits was determined using the projected benefits method pro-rated on services.

The actuarial valuation as at December 31, 2013 disclosed a $3,481 funding surplus which was resolved in accordance with the *Plan*, by transferring $18 to the City Account, by transferring $1,731.5 from the Main Account - General Component to the Main Account - Contribution Stabilization Reserve and by increasing future cost-of-living adjustments from 47.0% to 47.8% of inflation (with a corresponding increase in obligations for pension benefits of $1,731.5), effective January 1, 2014.

The actuarial valuation as at December 31, 2012 disclosed a $60,358 funding deficiency which was resolved in accordance with the Plan, by transferring $18,131 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.

3. Obligations for Pension Benefits (continued)

The assets available to finance the *Plan's* accrued benefits are those allocated to the Main Account - General Component. In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets of the Main Account - General Component was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effect of using a smoothed value of assets for the Main Account - General Component in determining the estimated actuarial surplus or deficiency, before allocation of surplus or deficit resolution, is as follows:

	2014	2013
Surplus for financial statement reporting purposes		
Main Account - General Component	**$ 80,699**	$ 75,949
Fair value changes not reflected in actuarial value of assets	**(99,759)**	(72,468)
(Deficit) Surplus for actuarial valuation purposes		
Main Account - General Component	**(19,060)**	3,481
Add: special purpose reserves and accounts		
Main Account - Contribution Stabilization Reserve	**1,918**	-
Plan Members' Account	**10,698**	9,660
City Account	**20**	-
(Deficit) Surplus for actuarial valuation purposes - including special purpose reserves and accounts, as estimated	**$ (6,424)**	$ 13,141

A full actuarial valuation of the *Plan* is being carried out as of December 31, 2014. Any actuarial surplus or funding deficiency in that valuation will be dealt with in accordance with the provisions of the Pension By-law.

The most recent actuarial valuation for funding purposes as at December 31, 2013 was filed with the Manitoba Pension Commission and the Canada Revenue Agency. The valuation disclosed a solvency liability measured on a hypothetical *Plan* wind up basis of $1,065,297 and a solvency surplus of $10,780 as at December 31, 2013; however, the solvency assets, not including the amount secured by the existing letter of credit were less than the solvency liabilities by $28,962.

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. In 2014 the City of Winnipeg provided a renewed irrevocable letter of credit from a chartered bank to the *Winnipeg Police Pension Board* to be held by the *Winnipeg Police Pension Board* in trust for the *Plan* in the amount of $28,962 together with any applicable interest as required under the *Regulation.* The renewed letter of credit took effect on October 27, 2014 and must be renewed annually until such time as the *Plan* no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the *Regulation.* As of December 31, 2014 the irrevocable letter of credit secured special payments that would otherwise be required from the City of Winnipeg in the amount of $30,009.

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, 2014, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $303,829 (2013 - $298,469).

The *Plan's* concentration of credit risk as at December 31, 2014, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	**2014 Fair Value**	2013 Fair Value
Government of Canada and Government of Canada guaranteed	**$ 56,218**	$ 62,414
Provincial and Provincial guaranteed	**87,016**	71,531
Canadian cities and municipalities	**4,594**	4,266
Corporations and other institutions	**114,846**	103,085
	$ 262,674	$ 241,296

The *Plan's* investments include short-term deposits with the City of Winnipeg which have a fair value of $24,068 at December 31, 2014 (2013 - $41,374).

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.

As at December 31, bonds and debentures analyzed by credit rating are as follows:

	2014		2013	
Credit Rating	**Percent of Total Bonds**	**Percent of Net Assets**	Percent of Total Bonds	Percent of Net Assets
AAA	**30.4**	**6.5**	33.4	7.2
AA	**30.9**	**6.6**	28.7	6.2
A	**27.4**	**5.8**	27.9	6.0
BBB	**9.3**	**2.0**	8.7	1.8
BB	**2.0**	**0.4**	1.3	0.3
	100.0	**21.3**	100.0	21.5

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.

4. Management of Financial Risk (continued)

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 14% of the *Plan's* assets, as stipulated in the Plan's Statement of Investment Policies and Procedures. Finally, the *Plan* may also invest in infrastructure, which is not traded in an organized market and may be illiquid, but only up to a maximum of 10% 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 24.6% (2013 - 26.6%) of its assets invested in fixed income securities as at December 31, 2014. 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, 2014 are as follows:

Term to Maturity	**2014 Fair Value**	2013 Fair Value
Less than one year	**$ 9,612**	$ 4,143
One to five years	**66,370**	65,218
Greater than five years	**186,692**	171,935
	$ 262,674	$ 241,296

As at December 31, 2014, had prevailing interest rates raised or lowered by 0.5% (2013 - 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 $13,081 (2013 - $11,063), approximately 1.1% of total net assets (2013 - 1.0%). 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.

4. Management of Financial Risk (continued)

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, real estate and infrastructure investments. The *Plan's* investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the *Plan's* net foreign currency exposure after giving effect to the net related economic hedge as at December 31, 2014.

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

	2014				2013	
	Gross Exposure	**Net Foreign Currency Hedge**	**Net Exposure**	**Impact on Net Assets**	Net Exposure	Impact on Net Assets
United States	**$ 260,108**	**$ 6,108**	**$ 254,000**	**$ 25,400**	$ 222,621	$ 22,262
Euro Countries	**60,124**	**2,833**	**57,291**	**5,729**	53,365	5,337
United Kingdom	**48,864**	**14,096**	**34,768**	**3,477**	28,801	2,880
Japan	**20,210**	**-**	**20,210**	**2,021**	16,435	1,643
Switzerland	**14,967**	**-**	**14,967**	**1,497**	10,771	1,077
Hong Kong	**14,757**	**-**	**14,757**	**1,475**	10,108	1,011
Sweden	**10,804**	**-**	**10,804**	**1,081**	9,717	972
Australia	**6,361**	**3,288**	**3,073**	**307**	2,816	282
Other	**14,426**	**-**	**14,426**	**1,443**	23,831	2,383
	$ 450,621	**$ 26,325**	**$ 424,296**	**$ 42,430**	$ 378,465	$ 37,847

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, 2014, 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 $112,191 (2013 - $104,327), approximately 9.1% of total net assets (2013 - 9.3%). In practice, the actual results may differ and the difference could be material.

4. Management of Financial Risk (continued)

e) Other price risk (continued)

The *Plan* also has exposure to valuation risk through its holdings of private equity and real estate investments, for which quoted market prices are not available. As at December 31, 2014, the estimated fair value of private equity investments is $21,387 (2013 - $18,190), approximately 1.7% of total net assets (2013 - 1.6%), and the related change in fair value of investments recognized for the year ended December 31, 2014 is $6,622 (2013 - $4,811). As at December 31, 2014, the estimated fair value of real estate investments is $90,803 (2013 - $83,810), approximately 7.4% of total net assets (2013 - 7.5%), and the related change in fair value of investments recognized for the year ended December 31, 2014 is $4,198 (2013 - $5,914).

The *Plan* also has exposure to valuation risk through its holdings of infrastructure investments, for which quoted market prices are not available.

In 2013, the *Plan* became a client of OMERS Investment Management, and to date has made payments of $44,255 in a Contractual Return Arrangement. The Contractual Return Arrangement provides the *Plan* with the annual rate of return (which may be positive or negative) based on the total investment return reported in the OMERS Annual Report for the assets and related liabilities allocable to the OMERS Primary Pension Plan fund that are directly or indirectly owned by OMERS Administration Corporation ("OAC") and managed by Borealis Infrastructure (the "Borealis Assets"). Under this arrangement the *Plan* is the sole limited partner in an Ontario limited partnership (OIM B4 2013 L.P.), and it has entered into a derivative contract with that limited partnership, which provides the return described above each year on the outstanding value on the contract. The arrangement provides for annual cash distributions to the *Plan* the extent that cash distributions are received by OAC in respect of the operations of any investment forming part of the Borealis Assets. In addition, further cash distributions may be made under the arrangement, to the extent that cash distributions are received by OAC and distributed to the partnership in respect of the full or partial disposition of any investment forming part of the Borealis Assets.

As at December 31, 2014, the estimated fair value of the infrastructure investments is $69,602 (2013 - $26,160), approximately 5.7% of total net assets (2013 - 2.3%), and the related change in fair value of investments recognized for the year ended December 31, 2014 is $3,436 (2013 - $310).

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.

4. Management of Financial Risk (continued)

f) Fair value hierarchy (continued)

The following tables present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2014 and December 31, 2013, classified using the fair value hierarchy described above:

	Level 1	**Level 2**	**Level 3**	**2014 Total Investment Assets at Fair Value**
Bonds and debentures	**$ -**	**$ 262,674**	**$ -**	**$ 262,674**
Canadian equities	**356,032**	**-**	**-**	**356,032**
Foreign equities	**391,210**	**701**	**-**	**391,911**
Cash and short term deposits	**35,919**	**5,236**	**-**	**41,155**
Private equities	**-**	**-**	**21,387**	**21,387**
Real estate	**-**	**-**	**90,803**	**90,803**
Infrastructure	**-**	**-**	**69,602**	**69,602**
	$ 783,161	**$ 268,611**	**$ 181,792**	**$ 1,233,564**

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	2013 Total Investment Assets at Fair Value (000's)
Bonds and debentures	$ -	$ 241,296	$ -	$ 241,296
Canadian equities	328,195	-	-	328,195
Foreign equities	364,358	2,960	-	367,318
Cash and short term deposits	49,293	7,880	-	57,173
Private equities	-	-	18,190	18,190
Real estate	-	-	83,810	83,810
Infrastructure	-	-	26,160	26,160
	$ 741,846	$ 252,136	$ 128,160	$ 1,122,142

During the year, there have been no significant transfer of amounts between Level 1 and Level 2

4. Management of Financial Risk (continued)

f) Fair value hierarchy (continued)

The following table reconciles the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

Private Equities	2014	2013
Fair value, beginning of year	**$ 18,190**	$ 15,455
Gains recognized in increase in net assets	**6,622**	4,811
Purchases	**1,201**	750
Sales	**(4,626)**	(2,826)
	$ 21,387	$ 18,190

Real Estate	2014	2013
Fair value, beginning of year	**$ 83,810**	$ 37,968
Gains recognized in increase in net assets	**4,198**	5,914
Purchases	**3,111**	40,574
Sales	**(316)**	(646)
	$ 90,803	$ 83,810

Infrastructure	2014	2013
Fair value, beginning of year	**$ 26,160**	$ -
Gains recognized in increase in net assets	**3,436**	310
Purchases	**40,244**	25,850
Sales	**(238)**	-
	$ 69,602	$ 26,160

Section 3.29 of the *Pension Benefits Act Regulations* requires disclosure of each investment asset that has a fair value greater than one percent of the fair value of the investment assets of the Fund. As at December 31, 2014, the Fund held the following investments that met this classification

	2014
Bonds and debentures	
TD Emerald Long Bond Broad Market Pooled Fund	**$ 109,484**
TD Lancaster Fixed Income Fund II	**77,352**
Fiera Active Fixed Income Fund	**75,838**
Canadian equities	
TD Emerald Canadian Equity Index Fund	**$ 111,012**
Bank of Nova Scotia	**13,589**
Toronto-Dominion Bank	**13,358**

4. *Management of Financial Risk (continued)*

f) Fair value hierarchy (continued)

	2014
Foreign equities	
State Street S&P 500 Index Common Trust Fund	**103,661**
Templeton Global Smaller Companies Fund	**20,328**
Cash and short term deposits	
City of Winnipeg short term deposit	**24,068**
Private equities	
5332665 Manitoba Ltd. common shares	**20,139**
Real Estate	
Greystone Real Estate Fund Inc.	**48,034**
Bentall Kennedy Prime Canadian Property Fund Ltd.	**40,583**
Infrastructure	
OIM B4 2013 L.P.	**46,985**
JPMorgan Infrastructure Investments Fund	**22,618**

5. *Investment Income*

	2014	2013
Bonds and debentures	**$ 9,153**	$ 11,723
Canadian equities	**9,162**	8,383
Foreign equities	**7,138**	5,607
Cash and short-term deposits	**558**	619
Real Estate	**1,867**	646
Infrastructure	**238**	-
	$ 28,116	$ 26,978
Allocated to:		
Main Account - General Component	**$ 27,829**	$ 26,746
Main Account - Contribution Stabilization Reserve	**44**	-
Plan Members' Account	**243**	232
	$ 28,116	$ 26,978

6. *Investment Transaction Costs*

During 2014, the *Plan* incurred investment transaction costs in the form of brokerage commissions, in the amount of $297 (2013 - $273). Investment transaction costs are included in the current period change in fair value of investments.

7. Lump Sum Benefits

	2014	2013
Termination benefits	**$ 420**	$ 97
Payments on relationship breakdown	**912**	367
Other	**103**	89
	$ 1,435	$ 553

8. Administrative Expenses

	2014	2013
The Winnipeg Civic Employees' Benefits Program	**$ 650**	$ 610
Actuarial fees	**185**	248
Legal fees	**26**	40
General and administrative expenses	**15**	11
	$ 876	$ 909

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. Commitments will be funded over the next several years. As at December 31, 2014, $18,061 had been funded.

10. Comparative Figures

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

PHOTO: Edwin Crescini

THE CITY OF WINNIPEG
CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF FINANCIAL POSITION

As at December 31
(in $ thousands)
(Unaudited)

	2014	2013
ASSETS		
Investments, at fair value		
Bonds and debentures	**$ 55,989**	$ 10,291
Canadian equities	**43,151**	-
Foreign equities	**42,099**	-
Short-term deposits	**702**	128,069
	141,941	138,360
Accrued interest	**6**	96
Employers' contributions receivable	**1**	1
Accounts receivable	**82**	95
Due from The Winnipeg Civic Employees' Pension Plan	**-**	4
Total Assets	**142,030**	138,556
LIABILITIES		
Accounts payable	**501**	464
Due to The Winnipeg Civic Employees' Pension Plan	**7**	-
Total Liabilities	**508**	464
NET ASSETS (Note 3)	**141,522**	138,092
BENEFIT OBLIGATIONS		
Civic Employees' (Note 4)	**92,810**	74,307
Police Employees' (Note 5)	**24,921**	18,434
	117,731	92,741
SURPLUS	**$ 23,791**	$ 45,351
SURPLUS COMPRISED OF:		
Civic Employees' (Note 4)	**$ 22,587**	$ 38,562
Police Employees' (Note 5)	**1,204**	6,789
	$ 23,791	$ 45,351

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 year ended December 31
(in $ thousands)
(Unaudited)

	2014	2013
INCREASE IN ASSETS		
Contributions		
City of Winnipeg and participating employers	**$ 2,001**	$ 1,942
Employees - basic	**2,002**	1,950
Employees - optional	**463**	448
Pensioners	**358**	345
	4,824	4,685
Investment income (Note 7)	**1,759**	1,872
Current period change in fair value of investments	**1,246**	2,770
Total increase in assets	**7,829**	9,327
DECREASE IN ASSETS		
Administration	**168**	167
Actuarial fees	**110**	82
Legal fees	**17**	43
Benefit payments	**4,754**	3,580
Investment management fees	**6**	22
Claims administration and taxes	**246**	210
Total decrease in assets	**5,301**	4,104
Increase in net assets	**2,528**	5,223
Net assets at beginning of year	**112,869**	107,646
Net assets at end of year	**$ 115,397**	$ 112,869

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 year ended December 31
(in $ thousands)
(Unaudited)

	2014	2013
ACCRUED BENEFITS, BEGINNING OF YEAR	**$ 74,307**	$ 94,803
INCREASE IN ACCRUED BENEFITS		
Interest accrued on benefits	**3,204**	3,628
Benefits accrued	**2,769**	3,691
Changes in actuarial assumptions	**14,895**	-
Total increase in accrued benefits	**20,868**	7,319
DECREASE IN ACCRUED BENEFITS		
Benefits paid	**2,365**	2,335
Experience gains and losses and other factors	**-**	6,134
Changes in actuarial assumptions	**-**	19,346
Total decrease in accrued benefits	**2,365**	27,815
NET INCREASE (DECREASE) IN ACCRUED BENEFITS FOR THE YEAR	**18,503**	(20,496)
ACCRUED BENEFITS, END OF YEAR	**$ 92,810**	$ 74,307

STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

For the year ended December 31
(in $ thousands)
(Unaudited)

	2014	2013
SURPLUS, BEGINNING OF YEAR	**$ 38,562**	$ 12,843
Increase in net assets for the year	**2,528**	5,223
Net (increase) decrease in accrued benefits for the year	**(18,503)**	20,496
SURPLUS, END OF YEAR	**$ 22,587**	$ 38,562

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 year ended December 31
(in $ thousands)
(Unaudited)

	2014	2013
INCREASE IN ASSETS		
Contributions		
City of Winnipeg	**$ 610**	$ 556
Employees - basic	**612**	558
Employees - optional	**95**	80
Pensioners	**110**	107
	1,427	1,301
Investment income (Note 7)	**394**	406
Current period change in fair value of investments	**279**	604
Total increase in assets	**2,100**	2,311
DECREASE IN ASSETS		
Administration	**38**	36
Actuarial fees	**57**	23
Legal fees	**4**	1
Benefit payments	**1,051**	455
Investment management fees	**1**	5
Claims administration and taxes	**47**	37
Total decrease in assets	**1,198**	557
Increase in net assets	**902**	1,754
Net assets at beginning of year	**25,223**	23,469
Net assets at end of year	**$ 26,125**	$ 25,223

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 year ended December 31
(in $ thousands)
(Unaudited)

	2014	2013
ACCRUED BENEFITS, BEGINNING OF YEAR	**$ 18,434**	$ 24,534
INCREASE IN ACCRUED BENEFITS		
Interest accrued on benefits	**800**	944
Benefits accrued	**788**	1,122
Changes in actuarial assumptions	**5,346**	-
Total increase in accrued benefits	**6,934**	2,066
DECREASE IN ACCRUED BENEFITS		
Benefits paid	**447**	481
Experience gains and losses and other factors	**-**	2,223
Changes in actuarial assumptions	**-**	5,462
Total decrease in accrued benefits	**447**	8,166
NET INCREASE (DECREASE) IN ACCRUED BENEFITS FOR THE YEAR	**6,487**	(6,100)
ACCRUED BENEFITS, END OF YEAR	**$ 24,921**	$ 18,434

STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

For the year ended December 31
(in $ thousands)
(Unaudited)

	2014	2013
SURPLUS (DEFICIT), BEGINNING OF YEAR	**$ 6,789**	$ (1,065)
Increase in net assets for the year	**902**	1,754
Net (increase) decrease in accrued benefits for the year	**(6,487)**	6,100
SURPLUS, END OF YEAR	**$ 1,204**	$ 6,789

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014
(in $ thousands)
(Unaudited)

1. Description of Plan

The *City of Winnipeg Employees' Group Life Insurance Plan* is comprised of two plans, the *Civic Employees' Group Life Insurance Plan* for employees of the City of Winnipeg, other than police officers, and certain other employers which participate in the Plan and the *Police Employees' Group Life Insurance Plan* for police officers of the City.

a) Civic Employees' Group Life Insurance Plan

All employees are eligible to join the Plan commencing on their date of employment. All new members of *The Winnipeg Civic Employees' Pension Plan* must become members of the group life insurance plan. *Plan* members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the *Plan* to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. *Plan* members and the City share equally in the cost of the basic life insurance coverage until retirement. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Plan is administered by *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund)*. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

b) Police Employees' Group Life Insurance Plan

All police officers are required to become members of the *Plan* commencing on their date of employment. *Plan* members are covered for basic life insurance coverage of two times annual earnings. Optional coverage can be purchased under the *Plan* to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance until retirement. Coverage on the life of disabled members continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The *Winnipeg Police Pension Board* is responsible for the administration of the *Plan*. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

2. *Summary of Significant Accounting Policies*

a) Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans, which also apply to these benefit plans, on a going concern basis and present the aggregate financial position of the *Plan* as a separate financial reporting entity, independent of the sponsor and *Plan* members. They are prepared to assist *Plan* members and others in reviewing the activities of the *Plans* for the fiscal period.

b) Investments and investment income

Investments are stated at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. The fixed income investments are valued either using published market prices or by applying valuation techniques that utilize observable market inputs. The equity investments are valued using published market prices. Short-term deposits are recorded at 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.

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, which also apply to these 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. *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.

The *Civic and Police Employees' Group Life Insurance Plans'* net assets are allocated as follows:

	2014 Fair Value	2013 Fair Value
Net Assets - Civic Employees'	**$ 115,397**	$ 112,869
Net Assets - Police Employees'	**26,125**	25,223
	$ 141,522	$ 138,092

4. Obligation for Post-Retirement Basic Life Insurance Benefits – Civic Employees' Group Life Insurance Plan

An actuarial valuation of the *Civic Employees' Group Life Insurance Plan* was performed as of December 31, 2013 by Eckler Ltd. The results of the December 31, 2013 actuarial valuation were extrapolated to December 31, 2014, with certain assumptions being updated to reflect economic circumstances for 2014, 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, 2014. For the comparative 2013 figures, the actuarial present value of accrued post-retirement basic life insurance benefits at December 31, 2013 is based on the results of the December 31, 2013 actuarial valuation performed by Eckler Ltd. 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 3.30% (2013 - 4.30%) per year and general increases in pay of 3.50% (2013 - 3.50%) per year. The change in the valuation interest rate from 4.30% to 3.30% increased the obligation for post-retirement basic life insurance benefits by $14,895. 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 triennial actuarial valuation as at December 31, 2013 disclosed an actuarial surplus of $33,342 (2010 - $26,866) and a contingency reserve in the amount of $7,431 (2010 - $7,481).

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:

	2014	2013
Surplus for financial statement reporting purposes	**$ 22,587**	$ 38,562
Fair value changes not reflected in actuarial value of assets	**2,657**	2,211
Surplus for actuarial valuation purposes, as estimated	**$ 25,244**	$ 40,773

5. *Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan*

An actuarial valuation of the *Police Employees' Group Life Insurance Plan* was performed as of December 31, 2013 by Eckler Ltd. The results of the December 31, 2013 actuarial valuation were extrapolated to December 31, 2014, with certain assumptions being updated to reflect economic circumstances for 2014, 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, 2014. For the comparative 2013 figures, the actuarial present value of accrued post-retirement basic life insurance benefits at December 31, 2013 is based on the results of the December 31, 2013 actuarial valuation performed by Eckler Ltd. 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 3.30% (2013 - 4.30%) per year and general increases in pay of 3.50% (2013 - 3.25%) per year. The change in valuation interest rate from 4.30% to 3.30% increased the obligation for post-retirement basic life insurance benefits by $5,085. The change in the general increases in pay assumption from 3.25% to 3.50% increased the obligations for post-retirement basic life insurance benefits by $261. 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 triennial actuarial valuation as at December 31, 2013 disclosed an actuarial surplus of $5,436 (2010 - $3,710) and a contingency reserve in the amount of $1,843 (2010 - $1,819).

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:

	2014	2013
Surplus for financial statement reporting purposes	**$ 1,204**	$ 6,789
Fair value changes not reflected in actuarial value of assets	**596**	490
Surplus for actuarial valuation purposes, as estimated	**$ 1,800**	$ 7,279

6. *Management of Financial Risk*

In the normal course of business, the *Plan's* investment activities expose it to a variety of financial risks. The *Plan* seeks to minimize potential adverse effects of these risks on the Plan's performance by hiring professional, experienced portfolio managers, by regular monitoring of the *Plan's* position and market events and, by diversifying the investment portfolio within the constraints of the investment policy and objectives. Significant risks that are relevant to the *Plan* are discussed below.

a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the *Plan,* and is concentrated in the *Plan's* investment in bonds and debentures and short-term deposits. At December 31, 2014, the *Plan's* credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $56,697 (2013 - $138,456).

The *Plan's* concentration of credit risk as at December 31, 2014, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	**2014 Fair Value**	2013 Fair Value
Government of Canada and Government of Canada guaranteed	**$ 17,944**	$ 764
Provincial and Provincial guaranteed	**14,546**	2,089
Canadian cities and municipalities	**128**	1,756
Corporations and other institutions	**23,371**	5,682
	$ 55,989	$ 10,291

The *Plan's* investments include short-term deposits with the City of Winnipeg which have a fair value of $Nil (2013 - $125,936) at December 31, 2014.

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.

6. *Management of Financial Risk (continued)*

a) Credit risk (continued)

As at December 31, bonds and debentures analyzed by credit rating are as follows:

	2014		2013	
Credit Rating	**Percent of Total Bonds**	**Percent of Net Assets**	Percent of Total Bonds	Percent of Net Assets
AAA	**37.9**	**15.0**	19.3	1.4
AA	**41.2**	**16.3**	60.6	4.5
A	**20.5**	**8.1**	8.6	0.7
BBB	**-**	**-**	2.6	0.2
BB	**0.4**	**0.1**	8.9	0.7
	100.0	**39.5**	100.0	7.5

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 40% (2013 - 100%) of its assets invested in fixed income securities as at December 31, 2014. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

6. *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, 2014 are as follows:

Term to Maturity	2014 Fair Value	2013 Fair Value
Less than one year	**$ 399**	$ 4,324
One to five years	**26,088**	5,169
Greater than five years	**29,502**	798
	$ 55,989	$ 10,291

As at December 31, 2014, had prevailing interest rates raised or lowered by 0.5% (2013 - 0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately $1,807 (2013 - $85), approximately 1.3% of total net assets (2013 - 0.1%). The *Plan's* sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the *Plan's* holdings of foreign equity investments. The *Plan's* investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the *Plan's* net foreign currency exposure after giving effect to the net related economic hedge as at December 31, 2014.

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.

6. *Management of Financial Risk (continued)*

d) Foreign currency risk (continued)

	2014				2013	
	Gross Exposure	Net Foreign Currency Hedge	Net Exposure	Impact on Net Assets	Net Exposure	Impact on Net Assets
United States	**$ 20,942**	**$ -**	**$ 20,942**	**$ 2,094**	$ -	$ -
Euro Countries	**5,008**	**-**	**5,008**	**501**	-	-
Japan	**4,631**	**-**	**4,631**	**463**	-	-
United Kingdom	**4,483**	**-**	**4,483**	**448**	-	-
Switzerland	**1,832**	**-**	**1,832**	**183**	-	-
Australia	**1,555**	**-**	**1,555**	**156**	-	-
Sweden	**679**	**-**	**679**	**68**	-	-
Hong Kong	**637**	**-**	**637**	**64**	-	-
Other	**2,332**	**-**	**2,332**	**233**	-	-
	$ 42,099	**$ -**	**$ 42,099**	**$ 4,210**	$ -	$ -

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, 2014, 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 $12,788 (2013 - $Nil), approximately 9.0% of total net assets (2013 - Nil). 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.

6. *Management of Financial Risk (continued)*

f) Fair value hierarchy (continued)

The following table present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2014 and December 31, 2013, classified using the fair value hierarchy described above:

	Level 1	**Level 2**	**Level 3**	**2014 Total Investment Assets at Fair Value**
Bonds and debentures	**$ 55,590**	**$ 399**	**$ -**	**$ 55,989**
Canadian equities	**43,151**	**-**	**-**	**43,151**
Foreign equities	**42,099**	**-**	**-**	**42,099**
Cash and short-term deposits	**702**	**-**	**-**	**702**
	$ 141,542	**$ 399**	**$ -**	**$ 141,941**

	Level 1	Level 2	Level 3	2013 Total Investment Assets at Fair Value
Bonds and debentures	$ 262	$ 10,029	$	$ 10,291
Cash and short-term deposits	128,069	-		128,069
	$ 128,331	$ 10,029	$ -	$ 138,360

During the year, there has been no significant transfer of amounts between Level 1 and Level 2.

7. *Investment Income*

	2014	2013
Bonds and debentures	**$ 561**	$ 1,804
Canadian equities	**298**	51
Foreign equities	**266**	-
Cash and short-term deposits	**1,028**	423
	$ 2,153	$ 2,278
Allocated to:		
Civic Employees'	**$ 1,759**	$ 1,872
Police Employees'	**394**	406
	$ 2,153	$ 2,278

8. *Investment Transaction Costs*

During 2014, the *Plan* incurred investment transaction costs in the form of brokerage commissions, in the amount of $42 (2013 - $7). Investment transaction costs are included in the current period change in market value of investments.

9. *Income Tax Status of the Plans*

On February 28, 2013, the Canada Revenue Agency (CRA) verbally informed the City of Winnipeg that, in its view, the assets held in the *Plans* constituted assets that were being held in trust funds and should be reported for income tax purposes as such. CRA further informed that it was prepared to accept the trusts commencing their income tax reporting on a prospective basis starting with the 2013 year, such that years prior to 2013 would not need to be reported. On November 26, 2013, CRA informed the City of Winnipeg in writing that it has extended this administrative relief to December 31, 2013 and on April 27, 2015, CRA again extended relief to December 31, 2015. The City of Winnipeg is in the process of restructuring the *Plans* and is continuing its discussions with CRA to address future income tax concerns.

PHOTO: AJ Batac

THE CITY OF WINNIPEG
TABLE OF FINANCIAL STATISTICS AND SELECTED RATIOS

FIVE-YEAR REVIEW

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

	2014	2013	2012	2011	2010
Population (Statistics Canada)	**709,253**	698,696	689,575	677,800	669,400
Consolidated debt (1)	**$ 1,086,699**	$ 995,633	1,057,198	800,928	715,089
Net tax-supported debt (2)	**$ 713,804**	$ 554,127	527,602	312,098	235,853
Debt per capita:					
Consolidated (dollars)	**$ 1,532**	$ 1,425	1,533	1,182	1,068
Net tax-supported (dollars)	**$ 1,006**	$ 793	765	460	352
Non-portioned taxable assessments (millions) (3)	**$ 74,856**	$ 65,346	64,293	56,287	55,648
Debt as a % of non-portioned taxable assessments					
Consolidated	**1.5%**	1.5%	1.6%	1.4%	1.3%
Net tax-supported	**1.0%**	0.8%	0.8%	0.6%	0.4%
Consolidated revenues (4)	**$ 1,716,536**	$ 1,619,258	1,497,141	1,469,610	1,353,856
Consolidated debt as a % of consolidated revenues	**63.3%**	61.5%	70.6%	54.5%	52.8%

Notes:

(1) Consolidated debt is gross debt outstanding, including premiums and discounts, for all municipal purposes - tax-supported, City-owned utilities, special operating agencies, and wholly-owned corporations.

(2) Net tax-supported debt is gross debt of the General Capital and Transit System Funds net of sinking funds.

(3) Non-portioned taxable assessments exclude fully exempt properties and does not include all converted grants.

(4) Consolidated revenues are comprised of general revenues, City-owned utilities, revenue from the wholly-owned corporations, investment in government businesses and special operating agencies, but excludes revenues collected on behalf of school authorities.

PHOTO: Garry Frantel

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS
As at December 31, 2014

		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	-	-	-	10,815,000	-	-	10,815,000
72/2006	March 22/06	3,902,000		-	-	-	-	3,902,000
32/2007	February 21/07	1,696,000			600,000	-	-	2,296,000
219/2007	January 23/08	3,488,000	-	-	27,200,000	-	-	30,688,000
184/2008	May 27/09	7,845,000	-	-	46,525,000	-	-	54,370,000
120/2009	November 25/09	50,000,000	-	-	-	-	-	50,000,000
150/2009	January 27/10		-	-	69,865,000	3,450,000	-	73,315,000
144/2011	January 25/12	25,967,000	-	-	-	1,250,000	-	27,217,000
	March 21/12	-	-	-	-	-	6,300,000	6,300,000
	November 14/12	-	-	-	-	-	11,300,000	11,300,000
100/2012	December 12/12	22,632,000	-	-	-	-	-	22,632,000
23/2013	March 20/13	4,976,000	8,587,000	-	19,858,000	9,200,000	-	42,621,000
149/2013	March 26/14	16,227,000	-	-	-	5,326,000	-	21,553,000
	December 11/13	-	-	-	-	-	10,100,000	10,100,000
		$ 218,700,958	$ 12,676,325	$ -	$ 174,863,000	$ 19,226,000	$ 27,700,000	$ 453,166,283

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, 2014

Outstanding Capital Borrowing Authorization at December 31, 2013	$	595,558,283
Add:		
By-law 145/2013		15,226,000
By-law 149/2013		69,372,000
Fleet Borrowing		10,100,000
Deduct:		
Debt Issued		(172,568,000)
By-law 183/2004 cancellation		(5,269,000)
By-law 72/2006 cancellation		(6,808,000)
By-law 32/2007 cancellation		(27,255,000)
By-law 219/2007 cancellation		(10,000,000)
By-law 184/2008 cancellation		(4,190,000)
Royal Bank of Canada Fleet Loan		(11,000,000)
Outstanding Capital Borrowing Authorization at December 31, 2014	$	453,166,283

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT ISSUES
As at December 31, 2014

Term	Month	Interest Rate	By-Law Number	Amount of Debt
The City of Winnipeg				
Sinking Fund Debt				
1995-2015	May 12	9.125	6620/95	$ 88,000,000
1997-2017	Nov. 17	6.250	7000/97	30,000,000
2006-2036	July 17	5.200	183/2004 & 72/2006	60,000,000
2008-2036	July 17	5.200	72/2006 & 32/2007	100,000,000
2010-2041	June 3	5.150	183/2008	60,000,000
2014-2045	June 1	4.100	144/11 & 23/13 & 149/13	60,000,000
2014-2045	June 1	3.713	100/12 & 23/13 & 149/13	60,000,000
2011-2051	Nov. 15	4.300	72/06 & 183/08 & 150/09	50,000,000
2012-2051	Nov. 15	3.853	93/2011	50,000,000
2012-2051	Nov. 15	3.759	120/09 & 93/11 & 138/11	75,000,000
2013-2051	Nov. 15	4.300	93/2011 & 84/2013	60,000,000
2014-2051	Nov. 15	3.893	93/2011 & 145/2013	52,568,000
				745,568,000
Serial Debt				
2009-2019	Oct. 6	4.500	46/2007 & 31/2009	24,240,000
Total Debt				$ 769,808,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE
As at December 31, 2014

	Debenture Debt		
Description	**Gross**	**Sinking Fund**	**Net**
Tax-Supported			
General	$ 213,290,050	$ 76,961,968	$ 136,328,082
Unallocated Sinking Fund Deficit	-	(12,640,676)	12,640,676
Total Tax-Supported	213,290,050	64,321,292	148,968,758
Other Funds			
Municipal Accommodations	215,024,950	2,798,021	212,226,929
Transit System	97,125,000	11,615,633	85,509,367
Total Tax-Supported and Other Funds	525,440,000	78,734,946	446,705,054
City-Owned Utilities			
Solid Waste Disposal	1,000,000	953,057	46,943
Waterworks System	185,000,000	45,942,201	139,057,799
Total City-Owned Utilities	186,000,000	46,895,258	139,104,742
Reserves			
Destination Marketing	28,368,000	-	28,368,000
Local Street Renewal	20,000,000	-	20,000,000
Regional Street Renewal	10,000,000	-	10,000,000
Total Reserves	58,368,000	-	58,368,000
	$ 769,808,000	$ 125,630,204	$ 644,177,796

	2015 Fixed Annual Charges		
Description	**Interest**	**Principal**	**Total**
Tax-Supported	$ 12,005,664	$ 8,265,107	$ 20,270,771
Other Funds			
Municipal Accommodations	8,535,353	2,652,912	11,188,265
Transit System	5,022,494	1,491,264	6,513,758
Total Tax-Supported and Other Funds	25,563,511	12,409,283	37,972,794
City-Owned Utilities			
Solid Waste Disposal	91,250	30,243	121,493
Waterworks System	10,601,250	3,592,065	14,193,315
Total City-Owned Utilities	10,692,500	3,622,308	14,314,808
Reserves			
Destination Marketing	1,053,304	438,100	1,491,404
Local Street Renewal	781,300	308,869	1,090,169
Regional Street Renewal	371,300	154,434	525,734
Total Reserves	2,205,904	901,403	3,107,307
	$ 38,461,915	$ 16,932,994	$ 55,394,909

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT CHANGES DURING 2014

Gross Debt as at January 1, 2014			$ 692,621,000
Debt Issued During 2014			
Tax-Supported Debt:			
Community Services - Assiniboine Park	$ 11,626,000		
Local Improvements	1,280,000		
Streets and Bridges System	48,726,000	$ 61,632,000	
Utilities Debt:			
Municipal Accommodations	52,568,000	52,568,000	
Reserve Funds Debt:			
Destination Marketing Reserve	28,368,000		
Local Street Renewal Reserve	20,000,000		
Regional Street Renewal Reserve	10,000,000	58,368,000	172,568,000
Sub-total			865,189,000
Debt Retired During 2014			
Tax-Supported Debt:			
Assessment - Special Projects	98,052		
Business Liaison - Special Projects	310		
Community Improvement Program	77,450		
Community Services - Special Projects	26,550		
Core Area Programs	526,857		
Corporate Finance - Special Projects	5,576		
Culture and Recreation	166,390		
Fire	78,582		
Health and Social Development	155,630		
Infrastructure	130,116		
Infrastructure - Land Drainage	88,065		
Infrastructure - Parks and Recreation	19,335		
Infrastructure - Streets and Bridges	123,900		
Land Acquisition	19,374		
Land Drainage	3,616,254		
Land and Development - Special Projects	146,659		
Libraries	148,623		
Overhead Walkways	20,788		
Parks and Recreation	6,013,415		
Parks and Recreation - Special Projects	75,281		
Police	531,429		
Protection	147,816		
Special Projects	2,473,463		
Streets and Bridges System	16,423,758		
Winnipeg Development Agreement	123,920	31,237,593	
Utilities Debt:			
Transit	6,810,696		
Waterworks System	13,000,000		
Sewage Disposal System	35,450,990		
Municipal Accommodations	8,881,721	64,143,407	(95,381,000)
Gross Debt as at December 31, 2014			$ 769,808,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT - MATURITY BY YEARS
As at December 31, 2014

Maturity Year	Sinking Fund Debt	Serial and Installment Debt	Total	%
2015	$ 88,000,000	$ 4,848,000	$ 92,848,000	12.06
2016	-	4,848,000	4,848,000	0.63
2017	30,000,000	4,848,000	34,848,000	4.53
2018	-	4,848,000	4,848,000	0.63
2019	-	4,848,000	4,848,000	0.63
2036	160,000,000	-	160,000,000	20.78
2041	60,000,000	-	60,000,000	7.79
2045	120,000,000	-	120,000,000	15.59
2051	287,568,000	-	287,568,000	37.36
Gross Debt	$ 745,568,000	$ 24,240,000	769,808,000	100.00
Less: Sinking Fund Reserve			125,630,204	
Net Debt			$ 644,177,796	

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES
As at December 31, 2014

Maturity Year	General Tax-Supported	Transit System	Waterworks System	Solid Waste Disposal	Municipal Accommodations	Reserves	Total
2015	$ 59,161,186	$ 7,075,000	$ 25,000,000	$ 1,000,000	$ 611,814	$ -	$ 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
2045	61,632,000	-	-	-	-	58,368,000	120,000,000
2051	45,250,000	29,750,000	-	-	212,568,000	-	287,568,000
	$ 213,290,050	$ 97,125,000	$ 185,000,000	$ 1,000,000	$ 215,024,950	$ 58,368,000	$ 769,808,000

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)			Reserve Funds			
Year	Principal	Interest	Sub-total	Principal	Interest	Sub-total	Principal	Interest	Sub-total	Total
2015	$ 8,265,107	$ 12,005,664	$ 20,270,771	$ 7,766,484	$ 24,250,347	$ 32,016,831	$ 901,403	$ 2,205,904	$ 3,107,307	55,394,909
2016	6,606,317	6,846,184	13,452,501	6,763,926	21,206,149	27,970,075	901,403	2,205,904	3,107,307	44,529,883
2017	6,606,317	6,678,659	13,284,976	6,763,926	21,185,312	27,949,238	901,403	2,205,904	3,107,307	44,341,521
2018	5,699,117	4,628,143	10,327,260	6,763,926	21,163,482	27,927,408	901,403	2,205,904	3,107,307	41,361,975
2019	5,699,117	4,440,707	10,139,824	6,763,926	21,140,169	27,904,095	901,403	2,205,904	3,107,307	41,151,226
2020-2036	23,585,817	72,970,732	96,556,549	105,869,914	359,069,291	464,939,205	15,323,851	37,500,368	52,824,219	614,319,973
2037-2041	6,937,005	21,461,980	28,398,985	16,958,215	64,008,610	80,966,825	4,507,015	11,029,520	15,536,535	124,902,345
2042-2045	5,549,604	17,169,584	22,719,188	9,860,140	38,846,892	48,707,032	3,605,612	8,823,616	12,429,228	83,855,448
2042-2051	2,613,540	10,863,000	13,476,540	14,790,210	58,270,338	73,060,548	-	-	-	86,537,088
	$ 71,561,941	$ 157,064,653	$ 228,626,594	$ 182,300,667	$ 629,140,590	$ 811,441,257	27,943,493	68,383,024	96,326,517	$ 1,136,394,368

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE
As at December 31, 2014

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2015 Interest	Annual Charges 2015 Principal	Sinking Fund Reserve at Dec. 31, 2014
STREETS AND BRIDGE SYSTEM								
(street improvements, street lighting, bridges and underpasses)								
6620/95	$ 22,633,970	May 12, 1995-2015	CAN	5.000	9.125	$ 2,065,350	$ 684,510	$ 21,571,465
7000/97	20,700,000	Nov. 17, 1997-2017	CAN	5.000	6.250	1,293,750	625,968	16,272,737
144/11 & 23/13 149/13	37,855,000	Jun. 1, 2014-2045	CAN	4.500	4.100	1,552,055	584,612	-
100/12 & 23/13 & 149/13	10,871,000	Jun. 1, 2014-2045	CAN	4.500	3.713	403,640	167,886	-
46/2007 & 31/2009	12,251,453	Nov. 15, 2011-2051	CAN	Serial	4.500	473,527	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	551,199
120/09 & 93/11 & 138/11	25,000,000	Nov. 15, 2012-2051	CAN	4.500	3.759	939,750	246,392	506,729
	148,011,423					7,532,172	4,934,376	38,902,130
LAND DRAINAGE								
(storm water relief sewers, drainage sewers and flood control)								
6620/95	2,251,500	May 12, 1995-2015	CAN	5.000	9.125	205,449	68,091	2,145,808
7000/97	4,900,000	Nov. 17, 1997-2017	CAN	5.000	6.250	306,250	148,176	3,852,001
46/2007 & 31/2009	1,825,543	Oct. 6, 2009-2019	CAN	Serial	4.500	70,558	365,109	-
	8,977,043					582,257	581,376	5,997,809

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2014

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2015 Interest	Annual Charges 2015 Principal	Sinking Fund Reserve at Dec. 31, 2014
PARKS AND RECREATION								
6620/95	850,000	May 12, 1995-2015	CAN	5.000	9.125	77,563	25,706	810,098
46/2007 & 31/2009	1,423,822	Oct. 6, 2009-2019	CAN	Serial	4.500	55,031	284,764	-
	2,273,822					132,594	310,470	810,098
LIBRARIES								
6620/95	10,000	May 12, 1995-2015	CAN	5.000	9.125	913	302	9,530
46/2007 & 31/2009	216,639	Oct. 6, 2009-2019	CAN	Serial	4.500	8,373	43,328	-
	226,639					9,286	43,630	9,530
FIRE								
6620/95	2,000	May 12, 1995-2015	CAN	5.000	9.125	183	60	1,906
7000/97	1,800,000	Nov. 17, 1997-2017	CAN	5.000	6.250	112,500	54,432	1,415,021
46/2007 & 31/2009	125,004	Oct. 6, 2009-2019	CAN	Serial	4.500	4,832	25,001	-
	1,927,004					117,515	79,493	1,416,927
POLICE								
6620/95	100,000	May 12, 1995-2015	CAN	5.000	9.125	9,125	3,024	95,306
46/2007 & 31/2009	940,046	Oct. 6, 2009-2019	CAN	Serial	4.500	36,333	188,009	-
	1,040,046					45,458	191,033	95,306

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2014

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2015 Interest	Annual Charges 2015 Principal	Sinking Fund Reserve at Dec. 31, 2014
SPECIAL PROJECTS								
6620/95	667,000	May 12, 1995-2015	CAN	5.000	9.125	60,864	20,172	635,689
46/2007 & 31/2009	200,000	Oct. 6, 2009-2019	CAN	Serial	4.500	7,730	40,000	-
	867,000					68,594	60,172	635,689
CONVENTION CENTRE								
6620/95	3,100,000	May 12, 1995-2015	CAN	5.000	9.125	282,875	93,752	2,954,477
CORE AREA PROGRAM								
6620/95	235,000	May 12, 1995-2015	CAN	5.000	9.125	21,444	7,107	223,968
7000/97	1,000,000	Nov. 17, 1997-2017	CAN	5.000	6.250	62,500	30,240	786,123
	1,235,000					83,944	37,347	1,010,091
INFRASTRUCTURE								
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	23,826,427
46/2007 & 31/2009	650,581	Oct. 6, 2009-2019	CAN	Serial	4.500	25,145	130,116	-
	25,650,581					2,306,395	886,181	23,826,427
INFRASTRUCTURE - LAND DRAINAGE								
46/2007 & 31/2009	440,325	Oct. 6, 2009-2019	CAN	Serial	4.500	17,019	88,065	-

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2014

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2015 Interest	Annual Charges 2015 Principal	Sinking Fund Reserve at Dec. 31, 2014
INFRASTRUCTURE - PARKS AND RECREATION								
46/2007 & 31/2009	96,675	Oct. 6, 2009-2019	CAN	Serial	4.500	3,737	19,335	-
INFRASTRUCTURE - STREETS AND BRIDGES								
7000/97	1,600,000	Nov. 17, 1997-2017	CAN	5.000	6.250	100,000	48,384	1,257,796
46/2007 & 31/2009	619,500	Oct. 6, 2009-2019	CAN	Serial	4.500	23,944	123,900	-
	2,219,500					123,944	172,284	1,257,796
COMMUNITY IMPROVEMENT PROGRAM								
46/2007 & 31/2009	387,250	Oct. 6, 2009-2019	CAN	Serial	4.500	14,967	77,450	-
ASSINIBOINE PARK - COMMUNITY SERVICES								
144/11 & 23/13 149/13	11,626,000	Jun. 1, 2014-2045	CAN	4.500	4.100	476,666	179,546	-
LOCAL IMPROVEMENTS								
144/11 & 23/13 149/13	519,000	Jun. 1, 2014-2045	CAN	4.500	4.100	21,279	8,015	-
100/12 & 23/13 & 149/13	761,000	Jun. 1, 2014-2045	CAN	4.500	3.713	28,256	11,752	-
72/06 & 183/08 & 150/09	1,550,000	Nov. 15, 2011-2051	CAN	4.500	4.300	66,650	14,482	45,688
	2,830,000					116,185	34,249	45,688

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2014

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2015 Interest	Annual Charges 2015 Principal	Sinking Fund Reserve at Dec. 31, 2014
WINNIPEG DEVELOPMENT AGREEMENT								
46/2007 & 31/2009	619,600	Oct. 6, 2009-2019	CAN	Serial	4.500	23,948	123,920	-
SPECIAL PROJECTS - PARKS AND RECREATION								
46/2007 & 31/2009	376,407	Oct. 6, 2009-2019	CAN	Serial	4.500	14,548	75,281	-
SPECIAL PROJECTS - COMMUNITY SERVICES								
46/2007 & 31/2009	132,750	Oct. 6, 2009-2019	CAN	Serial	4.500	5,131	26,550	-
SPECIAL PROJECTS - LAND AND DEVELOPMENT								
46/2007 & 31/2009	733,297	Oct. 6, 2009-2019	CAN	Serial	4.500	28,342	146,659	-
SPECIAL PROJECTS - ASSESSMENT								
46/2007 & 31/2009	490,258	Oct. 6, 2009-2019	CAN	Serial	4.500	18,949	98,052	-
SPECIAL PROJECTS - CORPORATE FINANCE								
46/2007 & 31/2009	27,882	Oct. 6, 2009-2019	CAN	Serial	4.500	1,078	5,576	-
SPECIAL PROJECTS - BUSINESS LIAISON								
46/2007 & 31/2009	1,548	Oct. 6, 2009-2019	CAN	Serial	4.500	60	310	-
Tax-Supported Total	**213,290,050**					**12,005,664**	**8,265,107**	**76,961,968**

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE
As at December 31, 2014

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2015 Interest	Annual Charges 2015 Principal	Sinking Fund Reserve at Dec. 31, 2014
TRANSIT SYSTEM								
6620/95	7,000,000	May 12, 1995-2015	CAN	5.000	9.125	638,750	211,698	6,671,400
46/2007 & 31/2009	375,000	Oct. 6, 2009-2019	CAN	Serial	4.500	14,494	75,000	-
183/2008	60,000,000	June 3, 2010-2041	CAN	4.500	5.150	3,090,000	926,607	4,067,325
72/06 & 183/08 & 150/09	29,750,000	Nov. 15, 2011-2051	CAN	4.500	4.300	1,279,250	277,959	876,908
	97,125,000					5,022,494	1,491,264	11,615,633
WATERWORKS SYSTEM								
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	23,826,427
183/04 & 72/06	60,000,000	July 17, 2006-2036	CAN	4.500	5.200	3,120,000	984,000	9,419,969
72/06 & 32/07	100,000,000	July 17, 2008-2036	CAN	4.500	5.200	5,200,000	1,852,000	12,695,805
	185,000,000					10,601,250	3,592,065	45,942,201
SOLID WASTE DISPOSAL								
6620/95	1,000,000	May 12, 1995-2015	CAN	5.000	9.125	91,250	30,243	953,057

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2014

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2015 Interest	Annual Charges 2015 Principal	Sinking Fund Reserve at Dec. 31, 2014
MUNICIPAL ACCOMMODATIONS								
6620/95	150,530	May 12, 1995-2015	CAN	5.000	9.125	13,736	4,552	143,465
46/2007 & 31/2009	2,306,420	Oct. 6, 2009-2019	CAN	Serial	4.500	89,145	461,284	-
93/2011	50,000,000	Nov. 15, 2012-2051	CAN	4.500	3.853	1,926,500	492,783	1,013,457
120/09 & 93/11 & 138/11	41,414,000	Nov. 15, 2012-2051	CAN	4.500	3.759	1,556,752	408,163	839,427
120/09 & 93/11 & 138/11	8,586,000	Nov. 15, 2012-2051	CAN	4.500	3.759	322,748	84,621	174,031
93/2011 & 84/2013	16,008,000	Nov. 15, 2013-2051	CAN	4.500	4.300	688,344	166,510	167,455
93/2011 & 84/2013	43,992,000	Nov. 15, 2013-2051	CAN	4.500	4.300	1,891,656	457,591	460,186
93/2011 & 84/2013	52,568,000	Nov. 15, 2014-2051	CAN	4.500	3.893	2,046,472	577,408	-
	215,024,950					8,535,353	2,652,912	2,798,021
Utility Total	**498,149,950**					**24,250,347**	**7,766,484**	**61,308,912**

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED RESERVE FUNDS DEBENTURE DEBT BY PURPOSE
As at December 31, 2014

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2015 Interest	Annual Charges 2015 Principal	Sinking Fund Reserve at Dec. 31, 2014
DESTINATION MARKETING RESERVE								
100/12 & 23/13 & 149/13	28,368,000	Jun. 1, 2014-2045	CAN	4.500	3.713	1,053,304	438,100	-
LOCAL STREETS RENEWAL RESERVE								
100/12 & 23/13 & 149/13	10,000,000	Jun. 1, 2014-2045	CAN	4.500	3.713	371,300	154,434	-
144/11 & 23/13 149/13	10,000,000	Jun. 1, 2014-2045	CAN	4.500	4.100	410,000	154,435	-
	20,000,000					781,300	308,869	-
REGIONAL STREETS RENEWAL RESERVE								
100/12 & 23/13 & 149/13	10,000,000	Jun. 1, 2014-2045	CAN	4.500	3.713	371,300	154,434	-
Reserve Funds Total	**58,368,000**					**2,205,904**	**901,403**	**-**
Unallocated Sinking Fund Deficit								(12,640,676)
Grand Total	**$ 769,808,000**					**$ 38,461,915**	**$ 16,932,994**	**$ 125,630,204**

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: Brent Bellamy