City of Winnipeg

2018 Detailed Financial Statements

Winnipeg

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Photo: City of Winnipeg

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 and their accompanying notes and schedules ("Statements"). The Statements 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.

For its December 31, 2017 annual report, the City received the prestigious Canadian Award for Financial Reporting ("CAnFR") from the Government Finance Officers Association ("GFOA"). The CAnFR recognizes excellence in governmental accounting and financial reporting and represents a significant accomplishment for the City and its management. The award reflects the tremendous effort not only of our staff in Corporate Finance, but also of all our departments, Special Operating Agencies ("SOA's") and elected officials in producing high quality documents for use by our residents and community.

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. Government financial statements are different from private sector organizations, in that they account 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. Net financial position (assets or liabilities) 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. These Statements include departments, SOAs, 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 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 accounts 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, Waterworks, Sewage Disposal, Land Drainage and Solid Waste Disposal Funds. Each utility accounts for its own operations and capital program. The Land Drainage System utility was established for 2018 to report on the land drainage operations previously reported in the General Revenue Fund.

There are four 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 operating 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 Arts Council Inc. and CentreVenture Development Corporation. Economic Development Winnipeg Inc. is a government partnership and is proportionately consolidated. These corporations are involved in various activities including economic development, recreation, tourism, entertainment and conventions.

North Portage Development Corporation, River Park South Developments Inc. and Park City Commons are are included in the Statements as investments in government businesses.

Winnipeg Housing Rehabilitation Corporation was previously included as an investment in government business. During the year, management assessed the control of Winnipeg Housing Rehabilitation Corporation and it was determined that the City no longer controlled the entity. As a result of this assessment, the City removed the investment and incurred an accounting loss of $6.6 million.

Consolidated Statement of Financial Position

Financial statements present information to describe the government's financial position at the end of the accounting period. Such information is useful to evaluate 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 ability 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, the City reports:

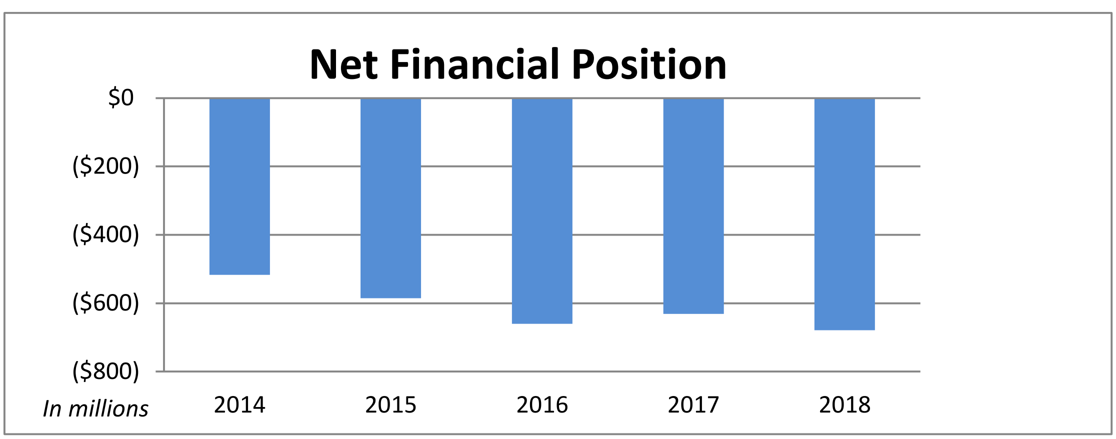
(in thousands of dollars)	2018	2017	Variance
Cash and cash equivalents	$ 433,985	$ 456,078	$ (22,093)
Other financial assets	656,082	657,317	(1,235)
Financial assets	1,090,067	1,113,395	(23,328)
Liabilities	1,768,982	1,744,181	(24,801)
Net financial position	(678,915)	(630,786)	(48,129)
Non-financial assets	7,009,634	6,666,235	343,399
Accumulated surplus	$ 6,330,719	$6,035,449	$ 295,270

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 2018, the City's cash and cash equivalents decreased by $22.1 million. This decrease resulted primarily because cash and cash equivalents used to construct and purchase tangible capital assets exceeded cash from operating and financing activities.

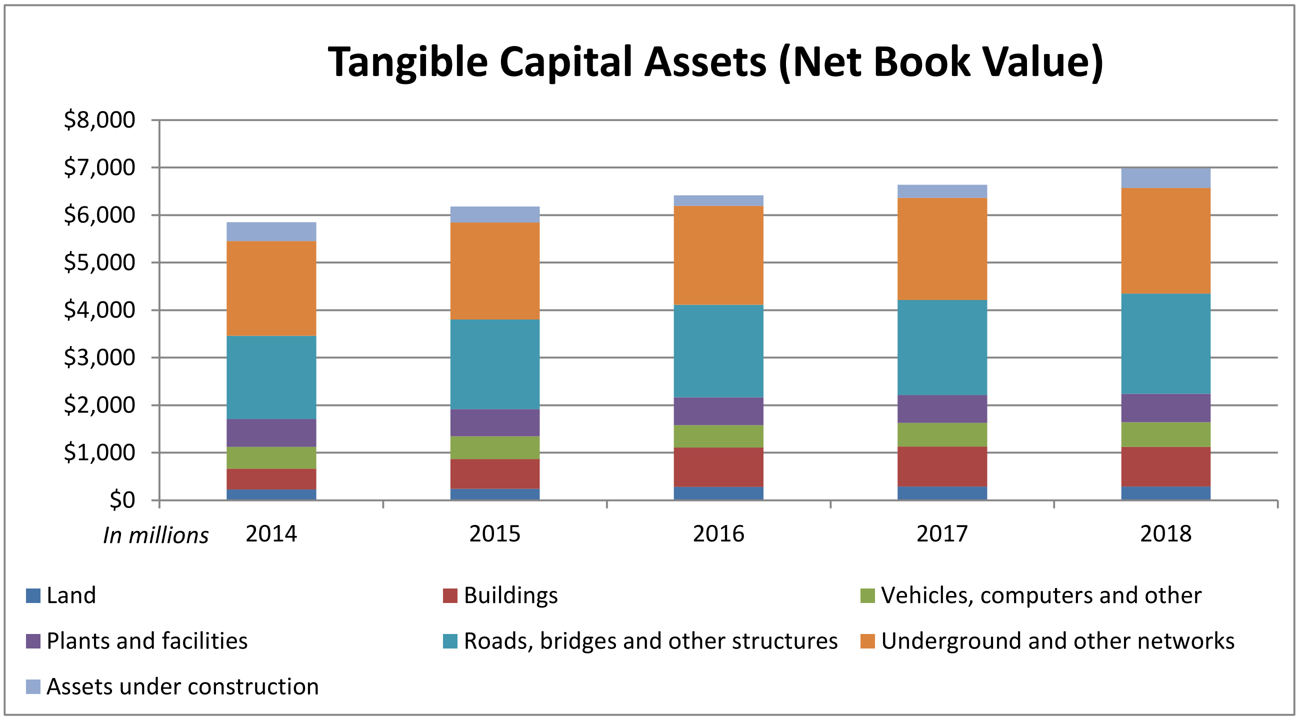
Net Financial Position



Net financial position is the difference between financial assets and liabilities, which indicate the affordability of additional spending. As at December 31, 2018, the City was in a net financial liability position of $678.9 million (2017 - $630.8 million). The change in net financial position during the year resulted primarily from decreased cash and cash equivalents.

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 an approved capital budget. The challenge in creating a capital budget is balancing infrastructure needs with fiscal responsibility. On December 12, 2017, City Council adopted the 2018 annual capital budget and the 2019 to 2023 five-year forecast. The six-year plan projected $2.2 billion in City capital projects, with $357.4 million authorized in 2018. Some of the projects included in the 2018 capital budget are:

- $116.0 million for regional and local street renewal, and $15.8 million for waterway crossings and grade separation
- $68.4 million in sewage disposal collection and treatment systems and $28.5 million in waterworks systems, including $16.5 million for water main renewals
- $31.9 million for public transit projects including transit safety management practices, and the purchase of new transit buses
- $2.4 million for St. James Civic Centre renewal and expansion
- $11.2 million for parks and open spaces including $7.1 million for reforestation improvements and the urban forest enhancement program

Also included in the capital investment plan over the six-year period (2018 to 2023) is anticipated funding of $372.7 million cash to capital funding, $305.6 million of anticipated provincial funding and $271.4 million under the Federal Gas Tax Agreement.

Council's 2018 approved capital budget included $50 million of the Province's capital commitment to support roads projects. This approval was pursuant to the Province's five year roads commitment made to the City in 2014, with 2018 being the final year. The Province fulfilled its commitment for the first four years. The Province has allocated $10 million of its 2018 capital commitment to roads and has indicated it will not be funding the remaining $40 million. The City's 2019 and 2020 capital budget and forecast for the local and regional street renewal program have been reduced by $20 million for each year in order to fund the streets proceeded with under the 2018 capital budget. This funding reduction by itself results in reduced budgeted spending on local and regional roads in those years.

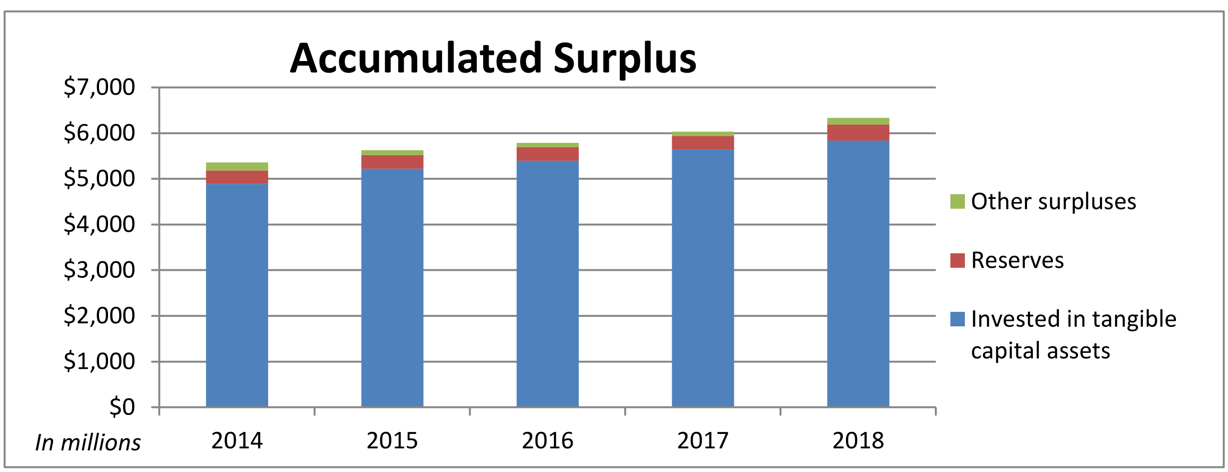
The Province has also indicated it will be not be making any further payments on the Manitoba-Winnipeg Infrastructure Agreement, leaving significant unfunded expenses. The estimated funding shortfall could be as high as $30 million.

During 2018, the City acquired $613.8 million of tangible capital assets (2017 - $475.9 million), including contributed roads and underground networks totaling $82.7 million (2017 - $95.2 million). Contributed assets are capitalized at their fair value at the time they are received. Of the assets acquired, $235.9 million was for tax-supported projects (38%). Spending on tax-supported projects was most significantly 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).

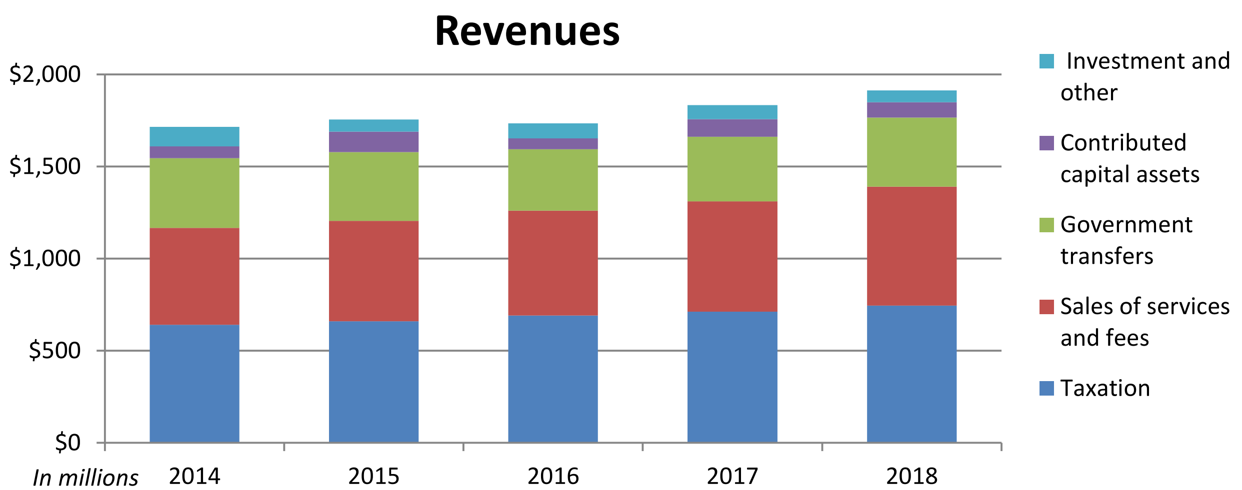
Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements, along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and landfill liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2018- 92%; 2017- 93%). Investment in tangible capital assets is a very important aspect of service delivery and is not intended or 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.

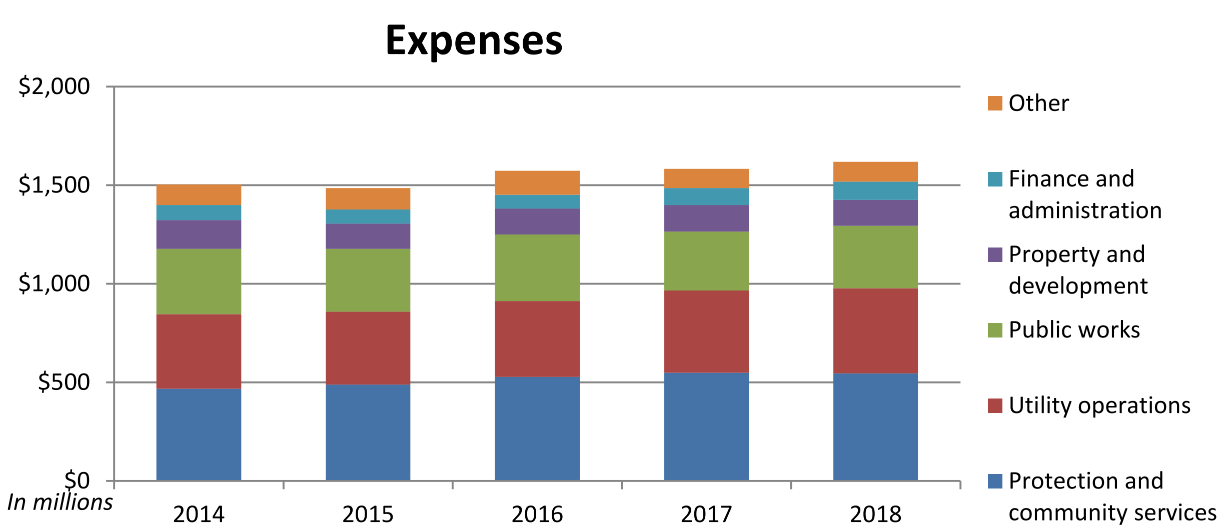
Consolidated Statement of Operations

Financial statements 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.



Note: Revenues include capital related transfers and contributions included in the other category on the Consolidated Statement of Operations and Accumulated Surplus.

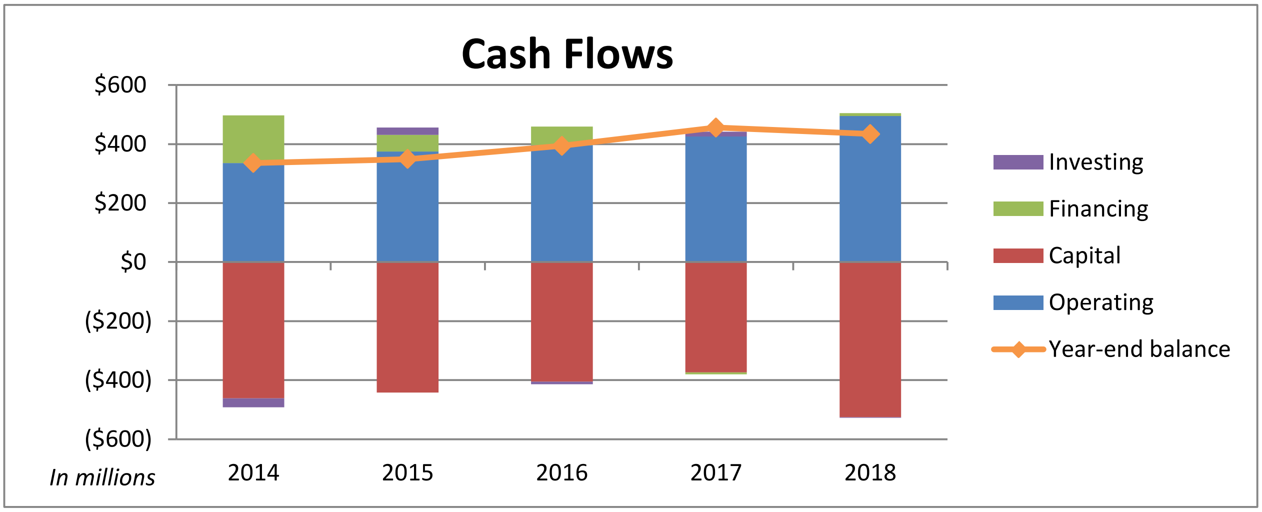
Beyond government transfers, the City has a good balance of revenue sources, with the majority coming from taxation, sales of services and regulatory fees. PSAB has defined indicators of financial condition to assist users of government financial statements to assess financial condition. Indicators of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



As the table above indicates, the City's combined 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

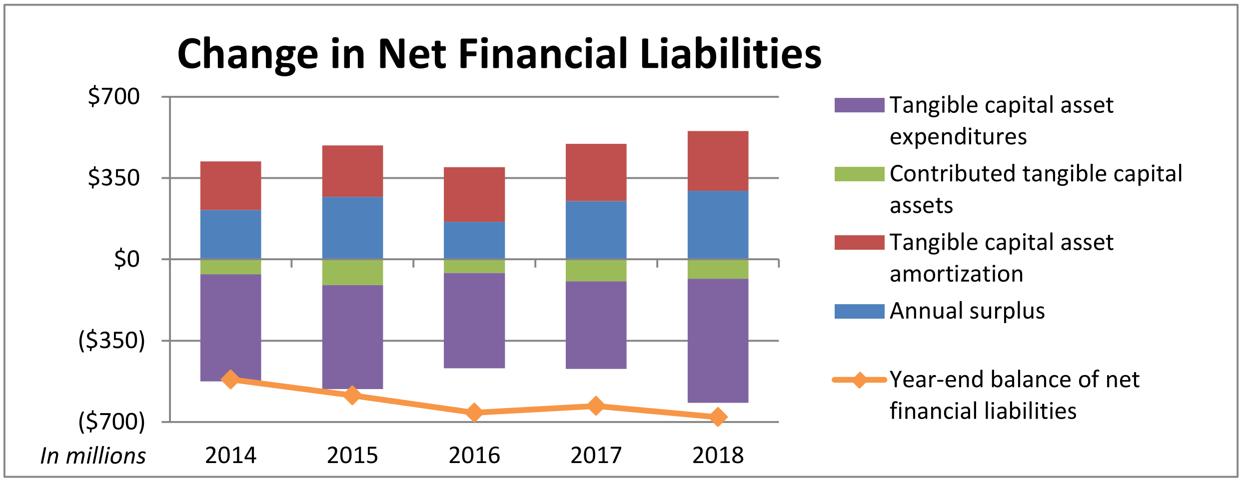
A government finances its activities and meets its obligations by generating revenues, through external borrowing, and by using existing cash resources. Cash resources are generated and consumed through operating, capital, financing and investing activities.



Capital investments have been more significant over the past five years, financed largely through operations, which include capital-related government transfers and a responsible amount of debt.

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.



Also, as previously discussed, the City has been making significant investments in its infrastructure over the past five years. 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. In late 2018, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was: "dynamic and diversified economy", exceptional and robust liquidity position, "moderate debt burden" and "strong financial management". However, S&P noted these strengths are offset somewhat by large capital expenditure requirements that limit the otherwise strong budgetary flexibility.

Moody's Investors Service ("Moody's") announced in July 2018 it would be maintaining the City's credit rating at Aa2, noting that the rating benefits from disciplined fiscal planning and a track record of solid operating surpluses, a diverse economy and access to stable and predictable own-source revenues. However, Moody's also noted that the rating is constrained by Winnipeg's debt burden as the City continues to invest in infrastructure. Lastly, Moody's expects the City will maintain strong debt affordability, despite forecasted higher debt levels.

These debt ratings contribute to the City's ability to access capital markets and obtain favourable 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 interest expense-to-revenues has remained constant over the past several years at 3%. 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, not only 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 decreased $1.8 million from the prior year. While funding reductions have resulted in a decreased amount owed by the Province of Manitoba for funding of capital investments, the amounts owed for similar purposes by the Government of Canada has offset this decrease.

The largest component of accounts receivable is trade accounts and other receivables at 51% (2017 - 52%). Approximately 44% (2017 - 41%) of trade accounts and other receivables result from water and sewer services. Management has determined credit risk to be low on these outstanding receivables and has provided an allowance for doubtful accounts of $400 thousand (2017 - $400 thousand). The largest component of the total allowance for doubtful accounts is in respect of ambulance services.

As at December 31, 2018, property, payments-in-lieu and business tax receivables (taxes receivable), net of the estimated allowance for tax arrears, represented 18% (2017 - 16%) of total receivables. Taxation revenue is 39% (2017 - 39%) of total consolidated revenues.

Taxes Receivable As at December 31 (in thousands of dollars)	2018	2017	2016	2015	2014
Taxes receivable	$ 56,704	$ 52,599	$ 51,550	$ 58,121	$ 54,825
Allowance for tax arrears	(813)	(756)	(330)	(4,255)	(6,183)
	$ 55,891	$ 51,843	$ 51,220	$ 53,866	$ 48,642

Investments

Investments As at December 31 (in thousands of dollars)	2018	2017
Marketable securities		
Municipal bonds	$ 72,577	$ 56,884
Provincial bonds and bond coupons	8,416	16,483
Bank and trust companies	2,003	5,011
	82,996	78,378
Manitoba Hydro long-term receivable	220,238	220,238
Other	4,833	7,324
	$ 308,067	$ 305,940
Market value of marketable securities	$ 85,516	$ 83,684

During 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale included annual payments starting in 2002, which declined gradually to $16 million annually in perpetuity starting in 2011. The accounting value of this 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. These securities are being held to finance anticipated future 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)	2018	2017
Sinking fund debentures	$ 767,568	$ 767,568
Equity in sinking funds	(82,065)	(67,468)
	685,503	700,100
Serial and installment debt	4,848	9,696
Bank loans and other	157,003	159,075
Capital lease obligations	22,519	23,398
Service concession arrangement obligations	183,839	150,432
	1,053,712	1,042,701
Unamortized premium on debt	29,946	30,938
	$ 1,083,658	$ 1,073,639

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 has been managed by the City for sinking fund arrangements since December 31, 2002.

For the City managed sinking fund the City pays interest on the principal to the investors and contributes a set percentage of the principal into the sinking fund. 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. The interest rate earnings assumption was set at 4% over the life of the debentures the City issued in 2016. The City has the ability to adjust this interest rate on future debenture issuance to mitigate projected surplus or deficiency positions.

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.

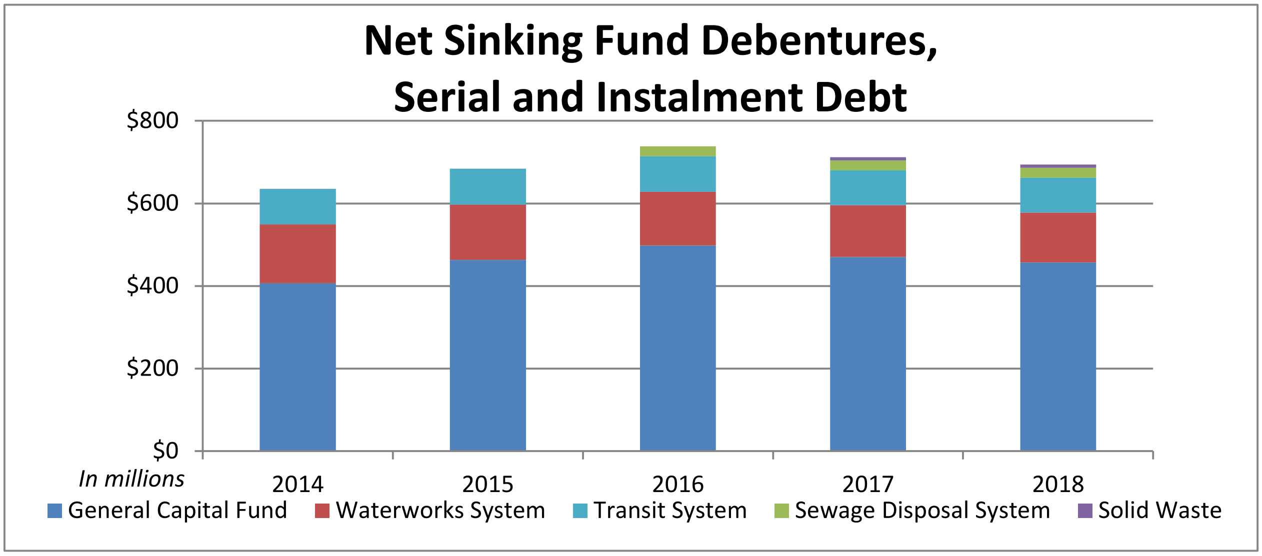
The Sinking Fund Trustees of the City of Winnipeg manage debt related to Winnipeg Hydro, which will be fully retired by 2029. As part of the sales agreement with Manitoba Hydro, this sinking fund is required to hold Manitoba Hydro Electric Board bonds issued by Manitoba Hydro. These bonds were issued to enable the City to repay and defease the Winnipeg Hydro debt. The bonds have identical terms and conditions as to par value, interest and date of maturity as the debt. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity. This debt has been defeased under this arrangement and accordingly, is not reported in the statements.

No additional sinking fund debentures were issued in 2018.

The City has also incurred serial and installment debt that have varying maturities up to 2019, and carry a weighted average interest rate of 4.5% (2017 - 4.5%). Annual interest and principal payments are made on the debt.

The City has entered into two service concession arrangements with respect to Chief Peguis Trail Extension and Disraeli Bridges. Taking into account the various forms of funding and financing, the effective interest rates incurred by the City are 4.6% and 5.2% for these projects, respectively.

Additionally, the City has entered into a service concession arrangement for the Southwest Rapid Transitway and Pembina Highway Underpass Project. The project is under construction and the actual effective interest rates will be unknown until the project is complete. The budgeted effective interest rate on the project is 1.9%. Specifically, the sinking fund debt and service concession arrangement obligation bear a budgeted combined weighted average interest rate of 4.8%.



Liquidity is an important measure of an organization's ability to readily service its debt obligations. Liquidity 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:

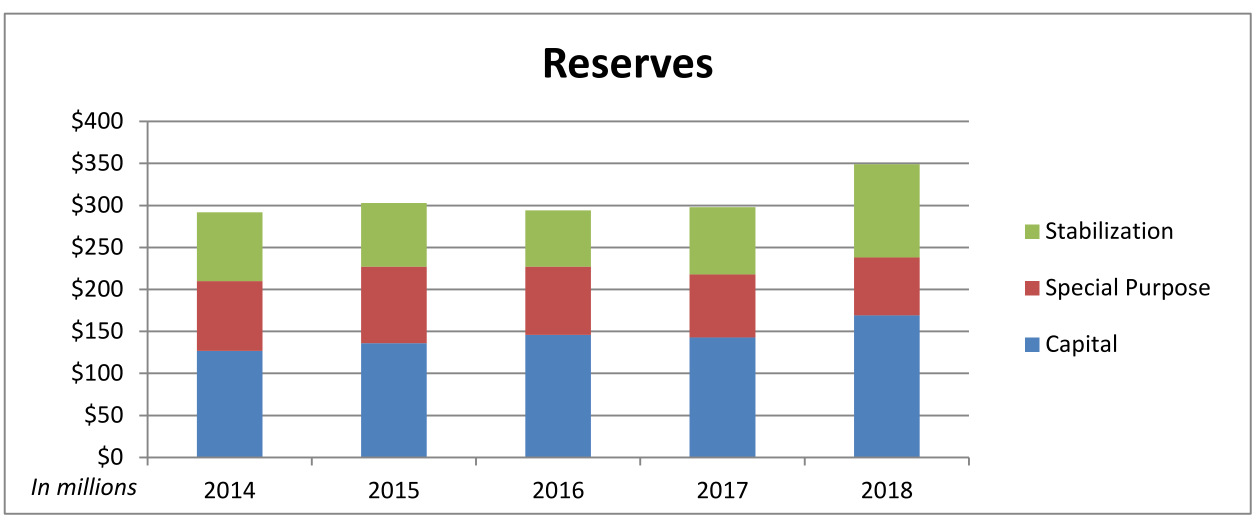
Debt Service Coverage Ratio	2018	2017	2016	2015	2014
Free Cash and Liquid Assets/ Debt Service	774.4%	803.8%	733.7%	618.6%	578.3%

In its recent credit rating report, Standard and Poor's commented that the City maintains robust liquidity, which they expect will continue.

Reserves

Reserve balances have increased overall by $50.8 million (2017 - $3.2 million increase) from the prior year. The City's Financial Stabilization Reserve balance increased by $31.2 million, and Capital Reserves increased $25.2 million while Special Purpose Reserves decreased $5.6 million.

The Financial Stabilization Reserve's accumulated surplus is projected to be $33.4 million (including net interest revenue) over its targeted level of 6% of the General Revenue Fund adopted 2019 budgeted expenses. This surplus is due to the 2017 and 2018 General Revenue Fund surpluses. The City Council's adopted 2019 budget provides a $10.3 million transfer to the General Revenue Fund.



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 the long term. The reserve transferred $29.8 million to the General Capital Fund during 2018 to fund local street, back lane and sidewalk projects.

In the 2014 budget, a similarly 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 kilometers of regional streets. The long-term proposal, subject to annual City Council approval, is to dedicate annual 1% property tax increases to the renewal of regional streets. The reserve transferred $25.3 million to the General Capital Fund during 2018 to fund regional street projects.

The City of Winnipeg has gone through a period of growth that has impacted the City's operating and capital costs and revenues. This growth is placing pressure on public infrastructure and the need for City Council to invest in additional capacity to accommodate growth. At the same time, the condition of existing infrastructure is deteriorating.

On October 26, 2016, Council passed the Impact Fee By-law that allowed for the phased-in implementation of the impact fee. Subject to council approval, the impact fee is being phased in over a period of three years. During the initial phase, the impact fee only applies to new residential developments in New Communities and Emerging Communities as set out in OurWinnipeg. Collection of impact fees began May 1, 2017. The impact fee revenue collected has been deposited into the Impact Fee Reserve Fund and used to fund growth-related capital projects to the extent that they are approved by Council. A total of $12.4 million was collected in 2018 (2017 - $4.1 million), the balance in the Impact Fee Reserve Fund as at December 31, 2018 is $16.5 million (2017 - $4.1 million). Council has not approved expenditures from the reserve during the year.

A working group of elected officials, city administrative staff, and industry and community stakeholders is being established to advise on the implementation of the impact fee over the three-year phase-in period. This working group will provide for ongoing industry and community participation, input into future impact fee rates and their manner of application. The working group will also provide input to the Chief Financial Officer concerning projects to be funded from revenue generated by the impact fee.

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 2018 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 2018, the City recorded consolidated revenues of $1.914 billion (2017 - $1.843 billion), which included government transfers, developer contributions-in-kind, and other capital contributions related to the acquisition of tangible capital assets. Consolidated expenses totaled $1.619 billion (2017 - $1.583 billion).

Consolidated revenues before government transfers, developer contributions-in-kind and other capital contributions totaled $1.633 billion (2017 - $1.569 billion). As a result, the City reported a surplus before these other items of $13.8 million (2017 deficit of $14.2 million). This surplus includes the results of accruing for unfunded liabilities such as landfill liabilities and future-oriented employee benefit liabilities. These future-oriented employee benefits, 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 2018		Actual 2018		Actual 2017		Budget to Actual Variance	Actual to Actual Variance
Taxation	$ 733,693	38%	$ 746,089	39%	$ 712,209	39%	$ 12,396	$ 33,880
Sales of services and regulatory fees	641,842	33%	645,356	34%	599,342	33%	3,514	46,014
Government transfers - Operating	190,332	9%	193,088	10%	194,932	11%	2,756	(1,844)
Investment, land sales and other revenues	49,377	3%	48,346	3%	62,614	3%	(1,031)	(14,268)
Revenue before Other	1,615,244		1,632,879		1,569,097		17,635	63,782
Government transfers - Capital	235,128	12%	181,757	9%	156,326	8%	(53,371)	25,431
Developer contributions-in-kind	91,540	5%	82,654	4%	95,163	5%	(8,886)	(12,509)
Other capital contributions	5,500	0%	17,010	1%	13,611	1%	11,510	3,399
	332,168		281,421		265,100		(50,747)	16,321
	$1,947,412		$1,914,300		$1,834,197		$ (33,112)	$ 80,103

Revenues were $80.1 million higher in 2018 due to several factors. One of the major reasons was increased taxation revenues over the prior year by $33.9 million. Included in taxation revenues are municipal realty taxes, which increased by $19.6 million year-over-year due to assessment roll growth and a 2.33% increase in property tax rates. The increase in property taxes is attributable to an annual 1% increase for each of the Local and Regional Street Renewal programs, and a .33% increase dedicated for future payments for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project. As well, tax revenue from supplementary tax bills issued during the year resulted in approximately $10 million more than budgeted.

Sales of services and regulatory fees are $46 million higher than 2017. This increase is due in part to higher sewer revenues attributable to both increased rates and consumption. Increased Transit revenues resulting from a 25 cent fare increase and a full year of impact fees also contributed to the increase.

Investment, land sales and other revenue decreased $14 million mainly due to fewer land sales in 2018.

Government transfers - capital have increased $25 million over 2017. This increase is the result of $45 million in additional transfers from the Government of Canada under its Public Transit Infrastructure Fund program and funding of the Waverley Underpass project. Transfers from the Province of Manitoba have decreased $20 million.

In the City's 2018 Capital Budget, Council approved $50 million of the Province's capital commitment to support roads projects. This approval was pursuant to the Province's five year roads commitment made to the City in 2014, with 2018 being the final year. The Province has allocated $10 million of its 2018 capital commitment to roads and has indicated it will not be funding the remaining $40 million. These consolidated financial statements do not include the $40 million in government transfers revenue.

Consolidated Expenses For the years ended December 31 (in thousands of dollars)	Budget 2018		Actual 2018		Actual 2017		Budget to Actual Variance	Actual to Actual Variance
Protection and community services	$ 542,224	32%	$ 544,557	33%	$ 549,180	35%	$ (2,333)	$ (4,623)
Utility operations	456,060	27%	433,215	27%	417,361	26%	22,845	15,854
Public works	322,105	19%	315,897	20%	298,507	19%	6,208	17,390
Property and development	141,469	9%	131,918	8%	134,852	9%	9,551	(2,934)
Finance and administration	97,329	6%	92,009	6%	84,515	5%	5,320	7,494
Civic corporations	78,971	5%	74,004	4%	71,604	4%	4,967	2,400
General government	32,142	2%	27,430	2%	27,316	2%	4,712	114
	$1,670,300		$1,619,030		$1,583,335		$ 51,270	$ 35,695

Consolidated expenses increased by $35.7 million or 2.3% from the previous year and were $51.3 million under budget, for the following reasons:

- Utility expenses increased $15.9 million over 2017 mostly because of higher salary and benefit costs, increased diesel fuel costs and increased expenses resulting from the new recycling collection contract and the extension of the recycling processing contract. In spite of higher salary and benefit costs compared to the prior year, salary and benefit costs were lower than budget due to challenges and delays in hiring, as well as savings in bus parts and delays in the implementation of the biosolids land application program.

- Public Works expenses have increased by $17.4 million over 2017. This is attributable to increased tangible capital asset amortization, snow clearing and garbage collection expenses.

- Property and development expenses are lower than budget primarily because of a decrease in land sales and costs related to Municipal Accommodations.

Consolidated Expenses By Object For the years ended December 31 (in thousands of dollars)	2018		2017		Variance
Salaries and benefits	$ 860,556	53%	$ 845,087	53%	$ 15,469
Goods and services	420,798	26%	404,044	26%	16,754
Amortization	257,362	16%	245,941	16%	11,421
Interest	51,962	3%	52,834	3%	(872)
Other expenses	28,352	2%	35,429	2%	(7,077)
	$ 1,619,030		$ 1,583,335		$ 35,695

- Increases in salaries and benefits expenses resulted primarily from contractual pay increases to employees.

- Goods and services expenses increase resulted primarily from increased diesel+B709 fuel costs and increased contract expenses. Also contributing was increased snow clearing and election costs.

- Amortization expense has increased due to growing inventory of tangible capital assets.

Risks and Risk Mitigation

Financial Sustainability

Over the past several years, the city has prepare a Community Trends and Performance Report as part of the budget process. Included in the report is a financial trends section setting out details concerning the City's structural deficit which has been described as financially unsustainable. The City has been contributing cash from its operating budget to the capital budget for many years, which at times has averaged over $60 million. This cash has been used to pay for capital projects which otherwise would require debt financing or further support from federal and provincial partners. However, the City reduced its contribution to the capital budget by $23.2 million ($78.8 million to $55.6 million) commencing in 2017, $57.0 million ($80.3 million to $23.3 million) i 2018 and $44.6 million ($65.9 million to $21.3 million) in 2019.

In 2020 onwards cash to capital planned contributions remain at values over $60 million even though the City's contribution levels have fallen to $21.3 million. In turn, the budget forecast reflects higher value cash to capital contributions leading to growing structural deficits of $105.2 million in 2020 and $131.9 million in 2021.

If the City is unable to contribute cash to capital in excess of $60 million in 2020 onwards, in order to maintain the capital program at its planned levels included in the budget forecast, it will need to consider increased debt, significant reductions in the capital program, reduced expenses or increased revenues.

In 2018, City Council approved the initiation of a process to implement a multi-year budget approach effective for the 2020 budget year, with a particular focus on addressing the structural deficit in tax-supported operations. Multi-year budgeting is considered a best practice by the GFOA and has been embraced by several Canadian municipalities. It is a practice applicable to both operating and capital budgets as well as tax-supported and utility rate-based operations. A multi-year operating budget is a document that authorizes a government's planned expenditures and anticipated revenues for two or more consecutive budgetary years.

The advantages of multi-year budgeting include improved financial management, long-range strategic planning and reduced staff time associated with budget preparation. One disadvantage of this approach might be the perceived loss of budgetary control and oversight at Council. Dependent on timing, this practice may also commit a newly elected Council to priorities set by previous Councils. However in response, Council will still approve budgets annually and direct revisions as required.

In anticipation of and to prepare for the first balanced multi-year budget in 2020, City Council has directed the Chief Administrative Officer to report in 2019 on:

- a review of the City's core service delivery responsibilities under The City of Winnipeg Charter and any any other relevant legislation
- an evaluation framework to review all current and any future City grants. This framework will include, but not necessarily be limited to, a review of each grants' alignment with the core service responsibilities of the City as well as an assessment of the outcomes that are or will be achieved from each of the grants
- recommendations on any changes to the City's current fees and charges based on an assessment of best practices in other jurisdictions and the cost of service delivery
- a prioritization list of unfunded major capital projects

Comprehensive Asset Management

The City faces a significant infrastructure deficit to address infrastructure needs relating to the major service areas across the organization. Based on the recently published 2018 State of the Infrastructure Report, an investment of $6.9 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. Several near and long term strategies to address the deficit have been outlined in the 2018 City Asset Management Plan, which will set the stage to routinely monitor and improve asset performance and organizational sustainability. Both of these documents are approved by the City's Chief Administrative Officer ("CAO") for all service areas and submitted to Council as information.

The asset management program helps the City to effectively invest limited resources into long-term capital plans by balancing risk, cost, and customer levels of service. The program is meant to align investments with infrastructure priorities to deliver established levels of service in a fiscally responsible manner. In short, it allows the City to make the right investment, at the right time, the right way.

In January 2015, City Council approved an Asset Management Policy. This policy guides 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. In fulfilling the policy's requirements, the following documents have been delivered:

- Asset Management Administrative Standard: This document establishes the City's approach to managing the City's physical assets.
- Investment Planning Manual: This manual provides a methodology to develop a consistent, efficient and effective process to develop Investment Plans (Capital Budget).
- Project Management Manual: This manual provides consistency in project delivery in the City. It is to be used by all business units in all departments for delivery of capital projects in the City. This manual is largely based on the Project Management Body of Knowledge ("PMBOK"), which is generally considered to be best practices for project management in North America. The fourth version is set to be released shortly.
- Templates: Templates such as a Business Case Template and a Basis of Estimate Template were created to ensure consistency throughout the Public Service when working on investment planning or project management.
- Asset Management Plans:
    - Departmental Asset Management Plan: This plan contains critical asset information pertaining to inventory, replacement value, condition, age and performance. It outlines tactical and financial strategies for managing assets throughout their lifecycle.
    - City Asset Management Plan ("CAMP"): This plan provides a summary of asset information, strategies and funding deficits related to the entire portfolio of new and existing infrastructure. It presents a cross-comparison of major City services and facilitates broader decision making across the organization. The plan also outlines corporate strategies and improvement initiatives focusing on people, process, technology and assets across City departments and functional teams.
    - State of the Infrastructure Report: This report provides a high level summary of the CAMP and it reports on 13 major infrastructure elements that the City manages in order to deliver services. The report provides a comparison of asset condition, capital budget allocations and a service area's overall contribution to the deficit based on new and existing infrastructure needs.

The following documents will be delivered as part of the Asset Management Policy's requirements:

- Strategic Asset Management Plan ("SAMP"): This document will provide the City's commitment and approach to achieving Council's approved policy. The SAMP will summarize the City's strategy for asset management and will outline how organizational objectives will be converted into asset management objectives. This will be approved by the CAO and submitted to Council as information.

- Customer Levels of Service: This document, which will be approved by Council, will provide the level to which front-line infrastructure supported services will be delivered.

Capital Project Management

One of the major functions of the City is the delivery on capital investments. This past year alone, the City invested $0.6 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.

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 require a supporting business case that can be challenged on the basis of need (level of service and risk), assumptions and recommended solutions.
- During 2014, 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 that includes periodic reporting to City Council, and it has made significant progress in addressing the recommendations.
- In 2018, the City rolled out its Open Capital Projects Dashboard. The City's Open Capital Projects Dashboard is a visually engaging, interactive tool that reports on the progress of the City's open capital projects with budgets of $5 million or more. The Dashboard eliminates the complexity of analyzing a capital project's financial and non-financial information. Its schedule and cost variance matrix was custom developed to do this analysis for users. The Open Capital Projects Dashboard was awarded GFOA's Award for Excellence in Government Finance. This award recognizes this initiative as a contribution to the practice of government finance that exemplifies outstanding financial management.
- The Dashboard complements the Open Budget, which reports fundamental financial information of adopted budget, amended budget, and actual costs categorized by department, category and subcategory for the City's entire portfolio of more than 700 active capital projects.
- In 2018, the City began publishing a list of unfunded major capital projects. The list is meant to provide a longer term outlook of forthcoming, unfunded projects that have been identified as needed investments to sustain the City's infrastructure.
- A Capital Expenditures Monthly Report is posted to the City's website to improve transparency and accountability. A version was made available through the City's Open Data Portal early in 2016.

Financial Management Plan

Continued sustainability is addressed in the 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. Therefore, a review of the City's forecasted net debt and debt servicing costs, including the financial implications of service concession arrangements, was conducted, and it is monitored on an ongoing basis. An update to the Financial Management Plan is presently underway.

Debt Strategy

To help manage debt responsibly and transparently, on October 28, 2015, City Council approved an updated debt strategy for the City. The following table provides the City Council-approved limits; the debt metrics as at December 31, 2018; and the forecasted peak based on the City Council-approved borrowing and the 2019 Capital Budget and Five-Year Forecast.

Debt Metrics	Maximum	As At December 31, 2018	Forecasted Peak
Debt as a % of revenue			
City	90.0%	52.5%	77.6%
Tax-supported and other funds	80.0%	52.4%	65.2%
Utilities and other	220.0%	48.4%	155.4%
Debt-servicing as a % of revenue			
City	11.0%	4.9%	6.8%
Tax-supported and other funds	10.0%	5.0%	5.5%
Utilities and other	20.0%	4.5%	11.9%
Debt per capita			
City	$2,800	$1,398	$2,319
Tax-supported and other funds	$1,500	$878	$1,137
Utilities and other	$1,500	$408	$1,385

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

Loan Guarantees

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, 2018 is $34.0 million (2017 - $38.7 million). Included in the outstanding balance on guaranteed loans is a $10 million guarantee related to financing provided by the Federation of Canadian Municipalities to the private Fort Rouge Yards project. The City is fully indemnified for this guarantee through an indemnity agreement with First National Financial LP.

Some of the capital projects related to guarantees are in progress at year-end, meaning that the full line of credit has not been used. The at-risk amount is $36.7 million (2017 - $46.9 million). The City does not anticipate incurring future payments on these guarantees.

On September 28, 2016, Council adopted a renewed Loan Guarantee policy. The main objectives of this policy revision were to ensure that loan guarantees are only provided to organizations that assist the City in achieving its goals while minimizing the financial risk associated with the guarantee.

Other revisions include application and standby fees, a cap on the amount of loan guarantees to non-consolidated entities and a minimum threshold for loan guarantee applications.

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.

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.

As a result, 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, starting 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 2018 was 23.2% 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, 2018, the market value of this pension fund's assets was $1,527.5 million (2017 - $1,537.6 million), which is $10.6 million more (2017 - $98.9 million more) than the accrued pension obligation.

Based on a valuation of the Plan as at December 31, 2017, the cost of benefits accruing under this Plan in 2018 represent 27.8% of pensionable earnings, of which the employees contributed 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. Further, in accordance with the Plan provisions and the actuarial report on the valuation, 1.49% of earnings was not required to be contributed. Therefore, the City contributed the balance of the cost - that is, 18.31% 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, 2020. 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, 2017, the plan had a solvency excess under this wind-up scenario. As a result the City was not required to obtain a letter of credit.

In December 2011, City Council approved a report entitled "Winnipeg Police Plan - Solvency Exemption". One of the recommendations of that report stated that in the event solvency exemption was not achieved, the City was to explore all options to reduce the significant financial impact related to solvency deficiency rules. In early 2013, the members of the Police Pension Plan voted in significant numbers to reject the election for solvency exemption. The City has engaged consulting assistance to explore options.

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 GLIP 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, granted an extension until the end of December 2015.

In 2015, City Council approved by-law 80/2015 in respect of the GLIP. The purpose of the by-law was to transfer the GLIP's plans' administration from the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Board to The Civic and Police Employees' Group Life Insurance Plans Corporation ("CPEGLIPCo"). The Province of Manitoba approved establishing the CPEGLIPCo as a municipal corporation. The benefits offered by the GLIP have not changed. This new structure intends to maintain the tax-exempt status of the GLIP.

Full valuations of the GLIP were undertaken as at December 31, 2016, and reflected favourable financial positions. The Board of the CPEGLIPCo reviewed the results of the valuations and the GLIP's surplus policies and approved reductions in the employer and member contribution rates effective January 2018. The next full valuation of the GLIP is expected to be as at December 31, 2019.

Environmental Matters

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

The 2005 to 2018 capital budgets for the utilities and their 2019 to 2023 capital forecasts anticipate $890.6 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 waste-water upgrade program is underway that will address nutrient control and biosolids management, estimated (class 3) to cost approximately $1.8 billion. Combined sewer overflow mitigation is estimated (class 5) at approximately $1.3 billion. These estimates are based on preliminary assessments, and are dependent on market factors and interpretation of the compliance requirements.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve, the Canada Strategic Infrastructure Fund, the Green Infrastructure Fund and accumulated surplus.

The City of Winnipeg operates one landfill, located at the Brady Road Resource Management Facility, 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. The Environment Act Licence issued on April 23, 2014 provides direction on closure and post closure requirements. 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, long-term borrowing rate.

The City records liabilities under Section 3260 Liability for Contaminated Sites. The City recognizes a liability for remediation of contaminated sites when conditions are identified that indicate non-compliance with environmental legislation. At December 31, 2018, the City recorded a $13.7 million (2017 - $12.7 million) liability related to contaminated sites.

Labour Negotiations

For the year ended December 31, 2018, 53% (2017 - 53%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,490 (2017 - 10,444). The majority of employees are represented by the eight unions and associations as follows:

Union/Association	Average Annual Headcount	Agreement Expiry Date
ATU	1,422	January 12, 2019
CUPE	4,613	February 28, 2021
MGEU	352	February 28, 2021
UFFW	966	December 31, 2020
WAPSO	811	December 31, 2019
WFPSOA	48	August 31, 2021
WPA	1,960	December 31, 2021
WPSOA	35	December 31, 2021
Other (non-union/association)	283	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. The City benefited from negotiated Council approved collective agreements with several unions this past year.

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 SOAs, 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

The City Auditor is a statutory officer appointed by City Council under The City of Winnipeg Charter. The City Auditor reports to Council through the Audit Committee (Executive Policy Committee) and is independent of the City's Public Service. The Audit Department is classified as an independent external auditor under Government Auditing Standards due to statutory safeguards that require the City Auditor to report directly to Council, through the Audit Committee. The Audit Department’s primary client is City Council, through the Audit Committee.

The purpose of the Audit Department is to provide independent and objective information, advices and assurance with respect to the performance of civic services in support of open, transparent and accountable governments. The value to Council is the ability to use credible information to support their decision- making efforts. Stakeholders are the Public Service and residents. The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations.

External Auditor

The City of Winnipeg Charter requires that an audit of the annual Consolidated Financial Statements of the City is preformed. These Consolidated Financial Statements have been audited by KPMG LLP, as the City's appointed external auditors. KPMG LLP's role is to express an independent opinion on the fair presentation of the City's financial position and operating results, and to confirm that the statements are free from material misstatement.

Budget Process

Executive Policy Committee ("EPC"), the executive committee of City Council, develops the budget. The budget is then 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 2019 operating budget contains three years of budget information, including the current-year adopted budget and two projection years. The 2019 budget document includes a 2018 consolidated budget that is prepared on the same basis as the consolidated financial statements.

Looking Forward

2019 Operating and Capital Budgets

On March 20, 2019, City Council adopted both budgets for The City of Winnipeg – the 2019 operating and capital budgets. In addition, the 2020-2024 capital forecast was approved in principle and the 2020 and 2021 operating projections were received as the preliminary financial plan for those years.

The 2019 capital budget and the 2020 to 2024 five-year forecast include $2.3 billion in City capital projects with $0.4 billion authorized in 2019. Some of the projects included in the 2019 capital budget are $86.4 million for regional and local street renewal and $39.8 million for Transit capital investment, including $22.2 million for new transit buses.

The six-year capital investment plan includes $801.8 million for regional and local renewal road work, $232.6 million for the transit system; $73.1 million for public safety; $112.8 million for community services, including libraries and recreation facilities; $411.2 million for the sewage disposal system, including $169.2 million to reduce the incidence of combined sewer overflow; and $56.7 million in innovation, transformation and technology projects. 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 2019 operating budget continues with 1.0% tax increases for each of the Local Street Renewal and Regional Street Renewal Reserves. As well, a 0.33% property tax increase was approved for future payments for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project.

The 2019 budget plan decreases business tax rates from 5.14% to 4.97% and provides for the expansion of the small business tax credit program. The program provides a full municipal business tax rebate to businesses with a rental value of $33,900 or less (2018 - $33,300 or less), impacting 48% 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 operating budget before March 31 of each fiscal year.

The City was awarded the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning January 1, 2018. The City will be submitting it's 2019 budget to GFOA to determine its eligibility for another award.

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

	2019	2018	2017	2016	2015
Revenues					
Property tax	$ 617,869	$ 591,149	$ 573,968	$ 554,620	$ 534,000
Property tax credits	(10,132)	(5,565)	(4,652)	(5,275)	(4,832)
Government transfers	143,834	133,530	127,789	123,619	118,290
Street renewal frontage levy	63,245	63,017	62,837	62,374	49,129
Sale of goods and services	53,935	54,477	62,796	63,170	59,008
Business tax	63,333	63,342	63,337	63,373	63,942
Business tax credits	(6,416)	(6,426)	(5,853)	(6,106)	(5,576)
Transfer from other funds	30,932	23,969	41,512	55,203	45,779
Regulation fees	58,754	58,072	59,210	50,758	45,329
Utility dividend	34,212	38,215	35,595	31,969	30,732
Other taxation	25,978	25,602	25,342	24,955	24,290
Interest	22,236	20,202	18,102	17,102	13,387
Other	27,172	22,504	19,526	19,368	20,619
	1,124,952	1,082,088	1,079,509	1,055,130	994,097
Expenses					
Police service	301,417	291,449	288,000	280,670	263,978
Public works	244,802	241,375	229,991	215,521	204,447
Fire paramedic service	201,517	193,457	199,219	190,274	178,321
Community services	114,068	109,946	114,892	111,408	118,569
Corporate	79,378	73,751	59,197	72,356	46,866
Planning, property and development	44,113	40,430	45,598	45,528	48,513
Corporate support services	-	34,811	35,996	37,254	34,092
Innovation, transformation and technology	25,113	-	-	-	-
Water and waste	23,226	22,335	32,293	30,399	30,923
Assessment and taxation	23,554	22,433	20,856	19,986	20,520
City clerk's	13,575	13,161	14,947	14,550	12,948
Street lighting	13,116	13,306	13,399	12,963	12,522
Customer service and communication	8,538	-	-	-	-
Corporate finance	8,342	9,112	9,073	9,015	9,130
Human resource services	6,055	-	-	-	-
Other departments	18,138	16,522	16,048	15,206	13,268
	1,124,952	1,082,088	1,079,509	1,055,130	994,097
	$ -	$ -	$ -	$ -	$ -

Prior year expense figures have not been reclassified to conform with the 2019 figures.

Accounting Pronouncements

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

- In June 2011, PSAB approved two new standards: section 3450 Financial Instruments and section 2601 Foreign Currency Translation. Both standards must be adopted in the same fiscal period. The new standards are effective for fiscal years beginning on or after April 1, 2021. Upon adoption, the City must also adopt the related financial statement presentation changes in Section 1201 Financial Statement Presentation and Section 3041 Portfolio Investments.
- In June 2015, PSAB issued section 3430 Restructuring Transactions. This standard addresses recognition, measurement and disclosure of restructuring transactions, including amalgamations and transfers of programs/operations. The new standard is effective for fiscal years beginning on or after April 1, 2018.
- In March 2018, PSAB issued section 3280 Asset Retirement Obligations. This standard addresses recognition, measurement and disclosure of asset retirement costs. The new standards are effective for fiscal years beginning on or after April 1, 2021.
- In November 2018, PSAB issued section PS 3400 Revenues. This standard addresses revenue recognition principles that apply to revenues common in the public sector other than government transfers and tax revenue. The new standard is effective for fiscal years beginning on or after April 1, 2022.

This past year, the City adopted PS 2200 Related Party Disclosures and PS 3420 Inter-entity Transactions.

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

Michael Ruta, FCA
Chief Financial Officer
May 7, 2019

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. The Consolidated Financial Statements contained herein were approved by Audit Committee on May 7, 2019. 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
May 7, 2019

KPMG LLP
One Lombard Place
Suite 2000
Winnipeg MB
R3B 0X3

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of The City of Winnipeg (the Entity), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations and accumulated surplus, cash flows and changes in net financial liabilities for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net financial liabilities and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Financial Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Financial Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

May 7, 2019

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	**$ 433,985**	$ 456,078
Accounts receivable (Note 4)	**318,224**	320,008
Land held for resale	**4,408**	1,156
Investments (Note 5)	**308,067**	305,940
Investment in government businesses (Note 6)	**25,383**	30,213
	1,090,067	1,113,395
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**271,785**	261,545
Deferred revenue (Note 8)	**55,547**	48,441
Debt (Note 9)	**1,083,658**	1,073,639
Other liabilities (Note 10)	**129,699**	138,931
Accrued employee benefits and other (Note 11)	**228,293**	221,625
	1,768,982	1,744,181
NET FINANCIAL LIABILITIES	**(678,915)**	(630,786)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	**6,983,343**	6,638,195
Inventories	**19,623**	21,068
Prepaid expenses and deferred charges	**6,668**	6,972
	7,009,634	6,666,235
ACCUMULATED SURPLUS (Note 14)	**$ 6,330,719**	$ 6,035,449

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 2018 (Note 21)		Actual 2018		Actual 2017
REVENUES						
Taxation (Note 16)	$	**733,693**	$	**746,089**	$	712,209
Sales of services and regulatory fees (Note 17)		**641,842**		**645,356**		599,342
Government transfers (Note 18)		**190,332**		**193,088**		194,932
Investment income		**29,213**		**35,425**		30,486
Land sales and other revenue (Note 19)		**20,164**		**12,921**		32,128
Total Revenues		**1,615,244**		**1,632,879**		1,569,097
EXPENSES						
Protection and community services		**542,224**		**544,557**		549,180
Utility operations		**456,060**		**433,215**		417,361
Public works		**322,105**		**315,897**		298,507
Property and development		**141,469**		**131,918**		134,852
Finance and administration		**97,329**		**92,009**		84,515
Civic corporations		**78,971**		**74,004**		71,604
General government		**32,142**		**27,430**		27,316
Total Expenses (Note 20)		**1,670,300**		**1,619,030**		1,583,335
Annual Surplus (Deficit) Before Other		**(55,056)**		**13,849**		(14,238)
OTHER						
Government transfers related to capital (Note 18)		**235,128**		**181,757**		156,326
Developer contributions-in-kind related to capital (Note 13)		**91,540**		**82,654**		95,163
Other capital contributions		**5,500**		**17,010**		13,611
		332,168		**281,421**		265,100
Annual Surplus	$	**277,112**		**295,270**		250,862
ACCUMULATED SURPLUS, BEGINNING OF YEAR				**6,035,449**		5,784,587
ACCUMULATED SURPLUS, END OF YEAR			$	**6,330,719**	$	6,035,449

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)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	**$ 295,270**	$ 250,862
Add (deduct) items not impacting cash and cash equivalents		
Amortization of tangible capital assets	**257,362**	245,941
Developer contributions-in-kind related to capital (Note 13)	**(82,654)**	(95,163)
Change in other liabilities and employee benefits	**(2,564)**	15,252
Loss (gain) on sale of tangible capital assets	**3,224**	(405)
Other	**4,830**	(63)
	475,468	416,424
Net change in non-cash working capital balances related to operations	**19,937**	9,754
Cash provided by operating activities	**495,405**	426,178
CAPITAL		
Acquisition of tangible capital assets	**(533,505)**	(377,099)
Proceeds on disposal of tangible capital assets	**8,115**	3,091
Cash used in capital activities	**(525,390)**	(374,008)
FINANCING		
Service concession arrangements financed (retired)	**33,406**	(1,936)
Increase in sinking fund investments	**(14,597)**	(1,791)
Debenture and serial debt retired	**(4,848)**	(34,848)
(Decrease) increase in bank loans and other debt	**(2,071)**	34,127
Other	**(1,871)**	(1,757)
Cash provided (used in) by financing activities	**10,019**	(6,205)
INVESTING		
(Increase) decrease in investments	**(2,127)**	16,250
Cash (used in) provided by investing activities	**(2,127)**	16,250
(Decrease) Increase in cash and cash equivalents	**(22,093)**	62,215
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**456,078**	393,863
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 433,985**	$ 456,078

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 2018 (Note 21)	Actual 2018	Actual 2017
ANNUAL SURPLUS	**$ 277,112**	**$ 295,270**	$ 250,862
Amortization of tangible capital assets	**256,958**	**257,362**	245,941
Proceeds on disposal of tangible capital assets	**5,065**	**8,115**	3,091
Loss (gain) on disposal of tangible capital assets	**548**	**3,224**	(405)
Change in inventories, prepaid expenses and deferred charges	**(1,117)**	**4,059**	2,455
Tangible capital assets received as contributions (Note 13)	**(91,540)**	**(82,654)**	(95,163)
Acquisition of tangible capital assets	**(572,529)**	**(533,505)**	(377,099)
(INCREASE) DECREASE IN NET FINANCIAL LIABILITIES	**(125,503)**	**(48,129)**	29,682
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(630,786)**	**(630,786)**	(660,468)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (756,289)**	**$ (678,915)**	$ (630,786)

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 by the City except for the City's government businesses. 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 proportionate 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, River Park South Developments Inc. and Park City Commons are reported as government business partnerships. 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 plans' 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 on behalf of group life insurance plans' participants by the Civic and Police Employees' Group Life Insurance Plans Corporation for the payment of life insurance benefits 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; guaranteed investment certificates; municipal bonds; schedule 1 bank bonds; 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 the present value of estimated future expenses, adjusted for estimated inflation, and is charged to expenses as the landfill site's capacity is used.

2. *Significant Accounting Policies (continued)*

h) Contaminated sites

The City recognizes a liability for remediation of contaminated sites when conditions are identified which indicate non-compliance with environmental legislation. The liability reflects the City's best estimate of the amount required to remediate the site to the current minimum standard of use prior to contamination, as of the financial statement date.

Recorded liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual remediation costs incurred.

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 are amortized on a straight-line basis over their estimated useful lives as follows:

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

Other	
Machinery and equipment	3 to 40 years
Land improvements	5 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	20 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 1.25% 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.

Works of art and historical treasures are not recorded as tangible capital assets.

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 leased tangible capital assets. 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 assets, liabilities, revenues and expenses, 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 for 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 2o).

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 received are recognized in the consolidated financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City's behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

n) Loan guarantees

Periodically the City provides loan guarantees on specific debt issued by other entities not consolidated in these financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements until the City considers it likely that the borrower will default on the specified loan obligation. Should a default occur, the City's resulting liability would be recorded in the consolidated financial statements.

o) Estimates

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

p) Budget

The 2018 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.

2. Significant Accounting Policies (continued)

q) Accounting policy changes

The Public Sector Accounting Board issued new standards, PS 2200 Related party disclosures and PS 3420 Inter-entity transactions. The new standards apply to the City for the fiscal year beginning January 1, 2018. As a result of this adoption, no material impact on the consolidated financial statements occurred.

3. Cash and Cash Equivalents

	2018	2017
Cash	**$ 42,086**	$ 32,596
Cash equivalents	**391,899**	423,482
	$ 433,985	$ 456,078

The average effective interest rate for cash equivalents at December 31, 2018 is 2.13% (2017 - 1.31%).

Cash and cash equivalents exclude $122.8 million (2017 - $226.6 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 $34.8 million (2017 - $30.5 million).

4. Accounts Receivable

	2018	2017
Property, payments-in-lieu and business taxes receivable	**$ 56,704**	$ 52,599
Allowance for property, payments-in-lieu and business taxes receivable	**(813)**	(756)
	55,891	51,843
Trade accounts and other receivables	**163,224**	165,455
Government of Canada	**60,784**	24,572
Province of Manitoba	**57,629**	101,111
Allowance for doubtful accounts	**(19,304)**	(22,973)
	262,333	268,165
	$ 318,224	$ 320,008

5. Investments

	2018	2017
Marketable securities		
Municipal bonds	**$ 72,577**	$ 56,884
Provincial bonds and bond coupons	**8,416**	16,483
Bank and trust companies	**2,003**	5,011
	82,996	78,378
Manitoba Hydro long-term receivable	**220,238**	220,238
Other	**4,833**	7,324
	$ 308,067	$ 305,940

5. *Investments (continued)*

a) Marketable securities

The aggregate market value of marketable securities at December 31, 2018 is $85.5 million (2017 - $83.7 million) and their maturity dates range from 2019 to 2053.

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 year ten and continuing thereafter in perpetuity.

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

6. *Investment in Government Businesses*

a) North Portage Development Corporation

North Portage Development Corporation (the "NPDC") is a government business partnership that is jointly controlled 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.

b) Park City Commons

On February 17, 2016 the City and EdgeCorp Developments Ltd. entered into an agreement to form Park City Commons joint venture to develop and sell certain land owned by the participants in the community of Transcona.

c) 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.

d) Winnipeg Housing Rehabilitation Corporation

During the year, management assessed the control of Winnipeg Housing Rehabilitation Corporation (the "WHRC"). It was determined that the City no longer controls WHRC. As a result of this assessment, the City removed the investment and incurred a loss on disposal of $6.6 million.

Summary of investment in government businesses

	2018	2017
North Portage Development Corporation (1/3 share)	**$ 19,206**	$ 18,975
Park City Commons (1/2 share)	**5,921**	3,375
River Park South Developments Inc. (1/2 share)	**256**	1,231
Winnipeg Housing Rehabilitation Corporation	**-**	6,632
	$ 25,383	$ 30,213

6. *Investment in Government Businesses (continued)*

Summary of results of operations

	2018	2017
North Portage Development Corporation (1/3 share)	**$ 231**	$ 124
River Park South Developments Inc. (1/2 share)	**26**	1,431
Winnipeg Housing Rehabilitation Corporation	**-**	258
	$ 257	$ 1,813

The results of operations and the removal of the WHRC investment are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue (Note 19).

The condensed supplementary financial information of the government business entities are disclosed in schedule 1.

7. *Accounts Payable and Accrued Liabilities*

	2018	2017
Accrued liabilities	**$ 146,403**	$ 142,000
Trade accounts payable	**119,116**	113,203
Accrued interest payable	**6,266**	6,342
	$ 271,785	$ 261,545

8. *Deferred Revenue*

	2018	2017
Federal gas tax transfer		
Opening balance	**$ 20,539**	$ 17,043
Revenue earned	**(32,625)**	(38,959)
Inflows	**43,944**	42,455
Closing balance	**31,858**	20,539
Province of Manitoba		
Opening balance	**$ 9,670**	$ 9,594
Revenue earned	**(9,670)**	(66)
Inflows	**-**	142
Closing balance	**-**	9,670
Prepayment for services	**23,689**	18,232
	$ 55,547	$ 48,441

9. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	**2018**	2017
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**	60,000
2014-2045	June 1	3.713	WD	100/12, 23/13 and 149/13	**60,000**	60,000
2014-2051	Nov. 15	3.893	WC	93/11 and 145/13	**52,568**	52,568
2015-2045	June 1	3.828	WD	144/11, 100/12, 23/13, 149/13, 5/15 and 61/15	**60,000**	60,000
2016-2045	June 1	3.303	WD	72/06, 23/13, 149/13, 5/15, 96/15 and 40/16	**80,000**	80,000
					767,568	767,568
Equity in The Sinking Funds (Notes 9a and b)					**(82,065)**	(67,468)
Net sinking fund debentures outstanding					**685,503**	700,100

Other debt outstanding

	2018	2017
Serial and instalment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.50% (2017 - 4.50%)	**4,848**	9,696
Bank loans and other with varying maturities up to 2046 and a weighted average interest rate of 2.94% (2017 - 2.90%)	**157,003**	159,075
Obligations for leased tangible capital assets (Note 9c)	**22,519**	23,398
Service concession arrangement obligations (Notes 9d and 15d)	**183,839**	150,432
	1,053,712	1,042,701
Unamortized premium on debt (Note 9e)	**29,946**	30,938
	$ 1,083,658	$ 1,073,639

9. Debt (continued)

Debt segregated by fund/organization:

	2018	2017
General Capital Fund	**$ 684,477**	$ 705,348
Waterworks System	**121,280**	125,847
Transit System	**138,839**	105,222
Consolidated entities	**37,545**	38,549
Fleet Special Operating Agency	**37,237**	30,817
Solid Waste Disposal	**26,860**	29,162
Sewage Disposal	**23,381**	23,875
Land Drainage	**2,982**	3,507
Other	**11,057**	11,312
	$ 1,083,658	$ 1,073,639

Debt to be retired over the next five years:

	2019	2020	2021	2022	2023	2024+
Sinking fund debentures	$ -	$ -	$ -	$ -	$ -	$ 767,568
Other debt	34,458	37,342	18,681	17,075	16,095	244,558
	$ 34,458	$ 37,342	$ 18,681	$ 17,075	$ 16,095	$ 1,012,126

a) As at December 31, 2018, sinking fund assets have a market value of $116.4 million (2017 - $108.5 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 $39.1 million (2017 - $26.0 million) and a market value of $40.5 million (2017 - $28.8 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. At the end of 2017, all outstanding debt that required annual payments by the City to the Sinking Fund Trustees have matured. 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 for leased tangible capital assets are as follows:

2019	$ 2,563
2020	2,680
2021	2,794
2022	2,930
2023	3,141
Thereafter	20,917
Total future minimum lease payments	35,025
Amount representing interest at a weighted average rate of 8.18%	(12,506)
Capital lease obligations	$ 22,519

9. *Debt (continued)*

d) Service concession arrangement obligations are as follows:

		2018		2017
DBF2 Limited Partnership - Chief Peguis Trail Extension	**$**	**46,202**	$	46,881
Plenary Roads Winnipeg GP - Disraeli Bridges		**102,137**		103,551
Plenary Roads Winnipeg Transitway LP		**35,500**		-
	$	**183,839**	$	150,432

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 $107.7 million project has been financed through a grant of $23.9 million from PPP Canada Inc., 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 $6.1 million. As at December 31, 2018, $107.4 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 $107.7 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 has 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 net cash consideration paid by the City of $10.6 million. As at December 31, 2018, $195.0 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)

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass

The City has entered into a project agreement with Plenary Roads Winnipeg Transitway LP, Plenary Roads Winnipeg Transitway GP Inc. and PCL BRT (Winnipeg) GP Inc. (together, "PRWT") to design, build, finance, operate and maintain the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass. The contract was executed in June 2016 and terminates 30 years after substantial completion of the project.

The project is currently under construction with commissioning anticipated to be in the fall of 2019. The $467.3 million project is budgeted to be financed through a Provincial government transfer of $187.0 million, a $137.2 million service concession arrangement obligation to PRWT, a payment of $93.3 million from Infrastructure Canada, sinking fund debentures of $40.0 million, and other cash consideration of $9.8 million.

As at December 31, 2018, $35.5 million was capitalized for assets completed and in use (Note 13). Upon commissioning the project, the City will commence repayment of the service concession agreement obligation to PRWT through monthly capital and interest performance-based payments totalling $8.4 million annually over the 30-year contract.

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

e) Included in the Consolidated Statement of Financial Position are investments of $33.3 million (2017 - $33.3 million) that will be used for making semi-annual debt service payments on the sinking fund debentures issued with a premium.

f) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2018 is $52.0 million (2017 - $52.8 million) and cash paid for interest during the year is $52.0 million (2017 - $53.3 million).

g) On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. As part of the purchase agreement, The City of Winnipeg Sinking Fund Trustees are required to hold Manitoba Hydro Electric Bonds issued by Manitoba Hydro to the City of Winnipeg 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. This debt has been defeased under this arrangement, and accordingly, is not reported in the Consolidated Statement of Financial Position. The book value of this debt as at December 31, 2018 is $60.0 million (2017 - $60.0 million).

10. Other Liabilities

	2018	2017
Expropriation	**$ 54,560**	$ 59,419
Landfill	**50,178**	48,717
Contaminated sites	**13,678**	12,656
Veolia agreement (Note 15e)	**1,498**	9,383
Developer deposits and other	**9,785**	8,756
	$ 129,699	$ 138,931

10. Other Liabilities (continued)

Included in landfill liabilities is 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 future closure and post-closure care activities discounted at the City's average, long-term borrowing rate of 4.5% (2017 - 4.5%). Amounts to be accrued in future years as the landfill's capacity is consumed are estimated at $9.9 million.

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 108-year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the City's one remaining landfill, the Brady Road Landfill Site, is 91% (2017 - 91%) of its total capacity and its remaining life is approximately 108 years (2017 - 108 years) after which perpetual post-closure maintenance is required.

The Landfill Rehabilitation Reserve was established for the purpose of providing funding, over time, for closure and post-closure landfill needs including leachate management, environmental monitoring and site restoration costs for active and closed landfills maintained under the responsibility of the City. It is financed through a monthly transfer from the Solid Waste Disposal Fund based on tonnages processed at the landfill. As at December 31, 2018, the reserve had a balance of $7.8 million (2017 - $7.4 million) (Schedule 3).

As of December 31, 2018, the liability for contaminated sites includes sites associated with former City operations, sites acquired through tax forfeiture, and historical acquisition of properties. The nature of contamination includes chemicals, heavy metals, salt, and other organic and inorganic contaminants. The sources of contamination include underground fuel storage tanks, rail lines, fuel handling, vehicle storage and maintenance, snow storage and stockyards.

Liability estimates are based on environmental site assessments or are derived by extrapolating remediation costs incurred by the City for similar sites.

11. Accrued Employee Benefits and Other

	2018	2017
Retirement allowance - accrued obligation	**$ 83,502**	$ 86,138
Unamortized net actuarial gain	**5,785**	2,527
Retirement allowance - accrued liability	**89,287**	88,665
Vacation	**60,418**	58,304
Workers' compensation	**46,924**	48,109
Compensated absences	**23,851**	20,197
Other	**7,813**	6,350
	$ 228,293	$ 221,625

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 15.7 years (2017 - 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 the actuarial gains or losses occur.

11. Accrued Employee Benefits and Other (continued)

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, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2018 using year-end assumptions.

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

	2018	2017
Retirement allowance - accrued liability		
Balance, beginning of year	**$ 88,665**	$ 90,056
Current service cost	**4,964**	5,359
Interest cost	**2,608**	2,848
Amortization of net actuarial loss	**95**	543
Plan amendment	**-**	(94)
Benefit payments	**(7,045)**	(10,047)
Balance, end of year	**$ 89,287**	$ 88,665

Retirement allowance expense consists of the following:

	2018	2017
Current service cost	**$ 4,964**	$ 5,359
Interest cost	**2,608**	2,848
Amortization of net actuarial loss	**95**	543
Plan amendment	**-**	(94)
	$ 7,667	$ 8,656

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

	2018	2017
Discount rate on liability	**3.25%**	3.00%
General increases in pay	**2.50 - 3.00%**	2.50 - 3.00%

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

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

12. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits 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 were 9.5% of their Canada Pension Plan earnings and 11.8% of pensionable earnings in excess of Canada Pension Plan earnings in 2018, and for future years, consistent with 2017. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Benefits Program was prepared as at December 31, 2017, which indicated an excess of actuarial value of program assets over actuarial liabilities of $275.4 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, 2018 was $8.4 million (2017 - $3.8 million).

Total contributions by the City to the Benefits Program in 2018 were $40.2 million (2017 - $37.1 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 2% of pensionable earnings in respect of cost-of-living adjustments. A contribution stabilization reserve has been established to maintain the City’s contribution rate at 8% of pensionable earnings, when permitted under provincial pension legislation. The Plan incorporates a risk-sharing arrangement under which actuarial surpluses are first allocated to maintain the rate of 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 funding valuation of the Plan was prepared as of December 31, 2017. The valuation revealed a funding surplus, which, in accordance with the terms of the Plan, was resolved by an increase in the contribution stabilization reserve and by increasing the rate of cost-of-living adjustments to pensions from 46.7% to 52.8% of the inflation rate.

An actuarial valuation of the Plan as of December 31, 2020 is to be prepared and 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 that was filed with the Office of the Superintendent - Pension Commission, December 31, 2017, the actuarial valuation showed that the Plan has a solvency excess at December 31, 2017 under this wind-up scenario.

The results of the December 31, 2017 actuarial valuation of the Plan were extrapolated to December 31, 2018. In accordance with the terms of the Plan, extrapolated surpluses and deficiencies are resolved through transfers to and from the contribution stabilization reserve and increases or 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 5.25% per year (2017 - 5.25%); inflation rate of 2.00% per year (2017 - 2.00%); and general pay increases of 3.25% per year (2017 - 3.25%). The accrued pension obligation was valued using the projected benefit method pro-rated on services.

12. *Pension Costs and Obligations (continued)*

Based on this valuation and extrapolation, the Plan's assets, accrued pension obligation and pension expenses are as follows:

	2018	2017
Plan assets:		
Fair value, beginning of year	**$ 1,537,642**	$ 1,403,598
Employer contributions	**29,364**	28,288
Employee contributions and transfers	**13,293**	13,524
Benefits and expenses paid	**(54,807)**	(51,173)
Net investment income	**1,997**	143,405
Fair value, end of year	**1,527,489**	1,537,642
Actuarial adjustment	**(10,577)**	(98,854)
Actuarial value, end of year	**$ 1,516,912**	$ 1,438,788
Accrued pension obligation:		
Beginning of year	**$ 1,413,621**	$ 1,299,066
Interest on accrued pension obligation	**73,958**	71,229
Current period benefit cost	**45,002**	43,188
Actuarial loss	**(13,373)**	51,311
Benefits and expenses paid	**(54,807)**	(51,173)
End of year	**$ 1,464,401**	$ 1,413,621
Funded status	**$ 52,511**	**$** 25,167
Less: city account	**(305)**	(274)
Less: contribution stabilization reserve	**(52,206)**	(24,893)
Actuarial surplus	**$ -**	**$** -

	2018	2017
Expenses related to pensions:		
Current period benefit cost	**$ 45,002**	$ 43,188
Amortization of actuarial gains	**(1,086)**	(301)
Less: employee contributions and transfers	**(13,293)**	(13,524)
Pension benefit expense	**30,623**	29,363
Interest on accrued benefit obligation	**73,958**	71,229
Expected return on plan assets	**(75,217)**	(72,304)
Pension interest income	**(1,259)**	(1,075)
Total expenses related to pensions	**$ 29,364**	$ 28,288

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 2018 were $29.4 million (2017 - $28.3 million). Total employee contributions to the Plan in 2018 were $13.0 million (2017 - $12.8 million). Benefits paid from the Plan in 2018 were $53.8 million (2017 - $50.2 million).

The expected rate of return on Plan assets in 2018 was 5.25% (2017 - 5.50%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2018 was 0.13% (2017 - 10.25%).

12. Pension Costs and Obligations (continued)

As the City's contributions 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, and vice versa in the event of a surplus. The above extrapolation anticipates that the funding surplus at December 31, 2018 will be resolved through an increase in the rate of cost-of-living adjustment and an allocation to the contribution stabilization reserve.

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 2018, the City paid out $0.3 million (2017 - $0.3 million). An actuarially determined pension obligation of $3.6 million (2017 - $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, (the "Plans") 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 until retirement. An actuarial valuation as of December 31, 2016 indicated that this post-retirement liability is fully funded.

During 2015, City Council approved by-law 80/2015 in respect of the Plans. The purpose of the by-law was to transfer the plans' administration from the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Board to The Civic and Police Employees' Group Life Insurance Plans Corporation ("CPEGLIPCo"). The Province of Manitoba approved the establishing of CPEGLIPCo as a municipal corporation. The benefits offered by the plans have not changed.

An actuarial valuation of the Plans was prepared as of December 31, 2016 and the results were extrapolated to December 31, 2018. The principal long-term assumptions on which the valuation was based were: discount rate of 4.50% per year (2017 - 4.50%); and general pay increases of 3.50% per year (2017 - 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 Plans is as follows:

	2018	2017
Group life insurance plan assets, at actuarial value	**$ 163,639**	$ 160,451
Accrued post-retirement life insurance obligations	**$ 99,154**	$ 95,648

13. Tangible Capital Assets

	Net Book Value 2018	Net Book Value 2017
General		
Land	**$ 286,421**	$ 288,906
Buildings	**834,893**	840,360
Vehicles	**205,186**	180,429
Computer	**43,024**	41,892
Other	**273,028**	274,201
Infrastructure		
Plants and facilities	**600,931**	588,423
Roads	**1,525,212**	1,420,521
Underground and other networks	**2,224,599**	2,146,093
Bridges and other structures	**581,985**	580,104
	6,575,279	6,360,929
Assets under construction	**408,064**	277,266
	$ 6,983,343	$ 6,638,195

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

During the year, $1.3 million (2017 - $0.1 million) of tangible capital assets were written-down. Interest capitalized during 2018 was $4.8 million (2017 - $4.0 million). In addition, roads and underground networks contributed to the City totalled $82.7 million in 2018 (2017 - $95.2 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $304.0 million (2017 - $273.6 million) of tangible capital assets that were acquired through service concession arrangements. The amount includes estimated, yet to be determined settlements for land expropriations.

Works of art and historical treasures are held by the City in various locations. Due to the subjective nature of the assets they are not included in the values shown on these statements.

14. Accumulated Surplus

Accumulated surplus consists of the following:

	2018	2017
Invested in tangible capital assets	**$ 5,836,664**	$ 5,638,975
Reserves (Schedule 3)	**348,559**	297,785
Manitoba Hydro long-term receivable (Note 5)	**220,238**	220,238
Other surplus accumulated in utility operations, consolidated entities and other	**195,423**	139,230
Equity in government businesses (Note 6)	**25,383**	30,213
Unfunded expenses to be funded from future revenues:		
Accrued employee benefits and other	**(226,843)**	(223,849)
Landfill (Note 10)	**(50,178)**	(48,717)
Contaminated sites (Note 10)	**(13,678)**	(12,656)
Canadian Museum for Human Rights grant	**(4,849)**	(5,770)
	$ 6,330,719	$ 6,035,449

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, 2018 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 on operating leases are as follows:

2019	$	8,236
2020		8,191
2021		7,878
2022		7,785
2023		6,628
Thereafter		58,685
	$	97,403

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, 2018 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. Where the occurrence of future events is considered undeterminable, no amount has been accrued in the 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, 2018 is $34.0 million (2017 - $38.7 million). The City does not anticipate incurring future payment on these guarantees, and has no balance related to this contingent liability on its financial statements.

Some of the capital projects related to guarantees are in progress at year-end, meaning that the full line of credit has not been used. The at risk amount is $36.7 million (2017 - $46.9 million).

d) Service concession arrangements

i) As disclosed in Note 9d, the City will pay PRW a monthly performance-based maintenance payment related to the Disraeli Bridges Project contract. The monthly payment totalling $1.8 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 $1.5 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.

iii) As disclosed in Note 9d, upon commissioning of the project the City will commence monthly performance-based maintenance payments to PRWT related to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project. The monthly payment averaging $3.1 million annually is to be adjusted by CPI and is payable upon substantial completion of the project until the termination of the thirty year contract.

15. *Commitments and Contingencies (continued)*

e) Veolia agreement

On April 20, 2011, the City entered into an agreement ("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 commenced 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 made by the City based upon the best advice of City management and Veolia experts working together.

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

Compensation to Veolia under the Agreement includes the following components:

1. Reimbursement of Veolia’s actual direct costs related to the Program (“Direct Costs”);
2. An agreed-upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost (“Fee”);
3. For 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”- (note 10)). Painshare and KPI deductions reduce the EARA. All of these amounts remain at risk for the duration of the Agreement and 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. In 2018, Veolia withdrew $9.4 million from EARA and replaced this at risk amount with a standby letter of credit.

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

15. Commitments and Contingencies (continued)

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, 2018, the forgivable loans totalled $2.7 million (2017 - $3.1 million).

16. Taxation

	2018	2017
Municipal and school property taxes	**$ 1,237,214**	$ 1,175,939
Payments-in-lieu of property (municipal and school) and business taxes	**51,163**	51,125
	1,288,377	1,227,064
Payments to Province and school divisions	**(699,765)**	(667,369)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	**588,612**	559,695
Local improvement and frontage levies	**65,006**	63,120
Business taxes and license-in-lieu of business taxes	**57,634**	55,844
Electricity and natural gas sales taxes	**21,736**	20,383
Amusement and accommodation taxes and mobile home licences	**13,101**	13,167
	$ 746,089	$ 712,209

The property tax roll includes school taxes of $668.9 million (2017 - $636.9 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2018 totalled $30.9 million (2017 - $30.5 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 $5.7 million (2017 - $5.4 million).

17. Sales of Services and Regulatory Fees

	2018	2017
Water sales and sewage services	**$ 325,016**	$ 297,703
Other sales of goods and services	**136,218**	136,386
Regulatory fees	**97,860**	86,175
Transit fares	**86,262**	79,078
	$ 645,356	$ 599,342

18. Government Transfers

	2018	2017
Operating		
Province of Manitoba		
Municipal Operating Grant	**$ 139,679**	$ 139,586
Public Safety	**23,955**	23,955
	163,634	163,541
Less: Support for Provincial Programs	**(23,650)**	(23,650)
	139,984	139,891
Transfer for paramedic services	**33,301**	27,306
Other	**12,272**	13,663
	185,557	180,860
Government of Canada	**7,531**	14,072
Total Operating	**193,088**	194,932
Capital		
Province of Manitoba		
Public Transit Infrastructure Fund	**17,027**	1,142
Manitoba Winnipeg Infrastucture Agreement	**16,493**	38,393
Sewage	**10,968**	6,864
Manitoba Winnipeg Infrastucture Fund	**10,035**	5,873
Waverely underpass	**9,031**	6,236
Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass	**7,328**	2,677
Other roads	**1,238**	28,489
Other	**4,341**	6,765
	76,461	96,439
Government of Canada		
Federal gas tax (Note 8)	**32,625**	38,959
Waverely underpass	**15,197**	-
Assiniboine Park Conservancy	**12,100**	6,257
Public Transit Infrastructure Fund	**34,930**	2,302
Other	**10,444**	12,369
	105,296	59,887
Total Capital	**181,757**	156,326
	$ 374,845	$ 351,258

Not included in the Province of Manitoba capital transfer above is $40 million of the $50 million included in the 2018 capital budget.

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. Land Sales and Other Revenue

		2018		2017
Land sales	**$**	**7,994**	$	15,550
Contributions in lieu of land dedication		**1,501**		5,055
(Loss) income from government businesses (Note 6)		**(6,375)**		1,813
Other		**9,801**		9,710
	$	**12,921**	$	32,128

20. Expenses by Object

		2018		2017
Salaries and benefits	**$**	**860,556**	$	845,087
Goods and services		**420,798**		404,044
Amortization of tangible capital assets		**257,362**		245,941
Interest		**51,962**		52,834
Other expenses		**28,352**		35,429
	$	**1,619,030**	$	1,583,335

21. Budget

On March 19, 2019 Council approved the 2019 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 Council approved 2019 budget document is the 2018 consolidated budget that considers inter-fund transaction eliminations, tangible capital asset based revenues and amortization, controlled entity operations and the accrual of unfunded expenses. The resulting 2018 consolidated budget has been utilized in these consolidated financial statements.

22. 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 (Schedule 3) that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year.

23. 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:

23. *Segmented Information (continued)*

Protection

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

Community Services

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

Planning

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

Public Works and Garbage Collection

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 garbage collection operations.

Transit System Fund

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

Water and Waste Funds

The Water and Waste department consists of four distinct utilities - water, wastewater, land drainage 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 garbage collection operations are reported in the General Revenue Fund and are included in the Public Works and Garbage Collection segment.

Effective January 1, 2018, net assets of land drainage were transferred into the Water and Waste Funds Segment as a separate utility fund. Comparative figures have been reclassified to conform to the presentation made in the current year.

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

23. Segmented Information (continued)

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 4).

24. Contractual Rights

Developer contributions

The City has entered into a number of property development agreements which require the developers to contribute various infrastructure assets to the City, including roads and underground networks. The timing and extent of these future contributions vary depending on development activity and fair value of the assets received at time of contribution, which cannot be determined with certainty at this time.

25. 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 GOVERNMENT BUSINESSES

As at and for the years ended
(in thousands of dollars)

	North Portage Development Corporation March 31		Park City Commons [1] December 31	
	2018	2017	**2018**	2017
Financial Position				
Assets				
Current	**$ 5,892**	$ 7,969	**$ 7,134**	$ 2,387
Capital	**74,787**	73,639	**-**	5,054
Other	**914**	715	**-**	-
	$ 81,593	$ 82,323	**$ 7,134**	$ 7,441
Liabilities				
Current	**$ 3,651**	$ 3,663	**$ 1,237**	$ 691
Long-term	**20,325**	21,734	**-**	-
	23,976	25,397	**1,237**	691
Net equity	**57,617**	56,926	**5,897**	6,750
	$ 81,593	$ 82,323	**$ 7,134**	$ 7,441
City share (Note 6)	**$ 19,206**	$ 18,975	**$ 5,921**	$ 3,375
Results of Operations				
Revenues	**$ 15,594**	$ 13,281	**$ -**	$ -
Expenses	**14,903**	12,910	**-**	-
Net income	**$ 691**	$ 371	**$ -**	$ -
City's share (Note 6)	**$ 231**	$ 124	**$ -**	$ -

1 No income or expenses were incurred during the year.
2 During the year, management assessed the control of Winnipeg Housing Rehabilitation Corporation. It was determined that the City no longer controls WHRC. As a result of this assessment, the City removed the investment and incurred a loss on disposal.

Schedule 1

River Park South Developments Inc. December 31		Winnipeg Housing Rehabilitation Corporation [2] March 31		Total	
2018	2017	**2018**	2017	**2018**	2017
$ 2,957	$ 6,510	**$ -**	$ 3,367	**$ 15,983**	$ 20,233
-	-	**-**	18,309	**74,787**	97,002
-	-	**-**	4,916	**914**	5,631
$ 2,957	$ 6,510	**$ -**	$ 26,592	**$ 91,684**	$ 122,866
$ 2,444	$ 4,049	**$ -**	$ 3,083	**$ 7,332**	$ 11,486
-	-	**-**	16,877	**20,325**	38,611
2,444	4,049	**-**	19,960	**27,657**	50,097
513	2,461	**-**	6,632	**64,027**	72,769
$ 2,957	$ 6,510	**$ -**	$ 26,592	**$ 91,684**	$ 122,866
$ 256	$ 1,231	**$ -**	$ 6,632	**$ 25,383**	$ 30,213
$ 4	$ 5,038	**$ -**	$ 8,466	**$ 15,598**	$ 26,785
(47)	2,176	**-**	8,208	**14,856**	23,294
$ 51	$ 2,862	**$ -**	$ 258	**$ 742**	$ 3,491
$ 26	$ 1,431	**$ -**	$ 258	**$ 257**	$ 1,813

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	General				
	Land [1]	**Buildings[2]**	**Vehicles**	**Computer**	**Other**
Cost					
Balance, beginning of year	**$ 288,906**	**1,254,757**	**417,912**	**169,658**	**505,760**
Add:					
Additions during the year	**5,439**	**31,705**	**53,248**	**11,956**	**32,951**
Less:					
Disposals during the year	**7,924**	**2,848**	**30,499**	**416**	**630**
Balance, end of year	**286,421**	**1,283,614**	**440,661**	**181,198**	**538,081**
Accumulated amortization					
Balance, beginning of year	**-**	**414,397**	**237,483**	**127,766**	**231,559**
Add:					
Amortization	**-**	**35,443**	**27,420**	**10,824**	**33,807**
Less:					
Accumulated amortization on disposals	**-**	**1,119**	**29,428**	**416**	**313**
Balance, end of year	**-**	**448,721**	**235,475**	**138,174**	**265,053**
Net Book Value of Tangible Capital Assets	**$ 286,421**	**$ 834,893**	**$ 205,186**	**$ 43,024**	**$ 273,028**

1 Included in land additions is $1.3 million of land transfers from land held for resale.
1 Included in land disposals is $1.9 million of land transfers to land held for resale.
2 Included in building disposals is $1.7 million of building transfers to land held for resale.

Infrastructure					Totals	
Plants and Facilities	**Roads**	**Underground and Other Networks**	**Bridges and Other Structures**	**Assets Under Construction**	**2018**	2017
907,519	**2,627,717**	**3,270,413**	**849,910**	**277,266**	**$ 10,569,818**	$ 10,140,480
29,659	**175,983**	**125,724**	**16,386**	**130,798**	**613,849**	475,911
-	**3,413**	**6,472**	**-**	**-**	**52,202**	46,573
937,178	**2,800,287**	**3,389,665**	**866,296**	**408,064**	**11,131,465**	10,569,818
319,096	**1,207,196**	**1,124,320**	**269,806**	**-**	**3,931,623**	3,721,482
17,151	**71,078**	**47,134**	**14,505**	**-**	**257,362**	245,941
-	**3,199**	**6,388**	**-**	**-**	**40,863**	35,800
336,247	**1,275,075**	**1,165,066**	**284,311**	**-**	**4,148,122**	3,931,623
$ 600,931	**$ 1,525,212**	**$ 2,224,599**	**$ 581,985**	**$ 408,064**	**$ 6,983,343**	$ 6,638,195

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF RESERVES

Schedule 3

As at December 31
(in thousands of dollars)

		2018		2017
Reserves				
Capital Reserves				
Environmental Projects	**$**	**106,383**	$	93,934
Impact Fee		**16,702**		4,102
Transit Bus Replacement		**11,026**		11,281
SWRT Payment		**10,325**		5,016
Landfill Rehabilitation		**7,788**		-
Sewer System Rehabilitation		**6,496**		6,546
Waste Diversion		**5,188**		7,202
SWRT Corridor		**2,144**		4,220
Computer Replacement		**1,589**		967
Federal Gas Tax Revenue		**491**		235
Watermain Renewal		**258**		2,279
Regional Street Renewal		**118**		115
Local Streets Renewal		**98**		95
Brady Landfill Site Rehabilitation		**-**		7,421
		168,606		143,413
Special Purpose Reserves				
Perpetual Maintenance Fund - Brookside Cemetery		**17,210**		16,811
Destination Marketing		**14,834**		14,148
Land Dedication		**8,763**		10,310
Insurance (Note 21)		**4,758**		4,626
Commitment		**3,648**		4,329
Workers Compensation		**3,173**		4,886
Housing Rehabilitation Investment		**3,134**		7,170
Insect Control Urgent Expenditures		**3,000**		3,000
Land Operating *		**2,832**		(2,091)
Economic Development Investment		**2,482**		1,756
Multi-Family Dwelling Tax Investment		**1,469**		3,572
Permit		**1,376**		2,000
Perpetual Maintenance Fund - St.Vital Cemetery		**1,224**		1,182
Perpetual Maintenance Fund - Transcona Cemetery		**854**		824
General Purpose		**173**		150
Heritage Investment		**62**		1,935
		68,992		74,608
Stabilization Reserve				
Financial Stabilization		**110,961**		79,764
Total Reserves	**$**	**348,559**	$	297,785

* This excludes the investments held for the River Park South Developments Inc. and Park City Commons government business partnerships.

		2018		2017
Reserve balance as disclosed above	**$**	**2,832**	$	(2,091)
Investments held in government business (Note 6)		**6,177**		4,606
	$	**9,009**	$	2,515

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

For the year ended December 31, 2018
(in thousands of dollars)

	General Revenue Fund			
	Protection	**Community Services**	**Planning**	**Public Works and Garbage Collection**[1]
REVENUES				
Taxation	**$ 319,421**	**$ 46,179**	**$ -**	**$ 210,923**
Sales of services and regulatory fees	**53,279**	**14,994**	**30,493**	**9,816**
Government transfers (Note 18)	**89,865**	**9,219**	**-**	**20,141**
Transfer from other funds	**1,932**	**1,359**	**8,617**	**3,070**
Other	**26,743**	**6,200**	**2,248**	**15,407**
	491,240	**77,951**	**41,358**	**259,357**
EXPENSES *(Note 20)*				
Salaries and benefits	**412,176**	**41,636**	**26,624**	**75,534**
Goods and services	**48,586**	**9,126**	**3,711**	**103,882**
Interest	**7,139**	**2,483**	**16**	**4,229**
Transfer to other funds	**15,595**	**3,414**	**11,852**	**91,328**
Other	**7,744**	**21,292**	**(845)**	**(15,616)**
	491,240	**77,951**	**41,358**	**259,357**
ANNUAL SURPLUS	**$ -**	**$ -**	**$ -**	**$ -**

For the year ended December 31, 2017
(in thousands of dollars)

	General Revenue Fund			
	Protection	Community Services	Planning	Public Works and Garbage Collection[1]
REVENUES				
Taxation	$ 314,926	$ 80,544	$ -	$ 208,357
Sales of services and regulatory fees	56,370	14,815	29,358	9,338
Government transfers (Note 18)	82,839	9,515	-	20,029
Transfer from other funds	1,888	1,416	13,943	2,289
Other	23,225	5,637	2,392	14,212
	479,248	111,927	45,693	254,225
EXPENSES *(Note 20)*				
Salaries and benefits	404,575	40,566	25,254	75,666
Goods and services	41,634	8,829	3,663	109,352
Interest	6,722	2,076	22	4,716
Transfer to other funds	20,153	39,721	16,848	80,136
Other	6,164	20,735	(94)	(15,645)
	479,248	111,927	45,693	254,225
ANNUAL SURPLUS	$ -	$ -	$ -	$ -

1 Effective January 1, 2018, net assets of land drainage of $829.7 million were transferred into the Water and Waste Funds Segment as a separate utility fund. Comparative figures have been reclassified to conform to the presentation made in the current year.

Schedule 4

Finance and Administration	Transit System Fund	Water and Waste Funds[1]	Other Funds and Corporations[1]	Eliminations	Consolidated
$ 154,976	**$ -**	**$ -**	**$ 26,000**	**$ (11,410)**	**$ 746,089**
22,927	**89,490**	**369,702**	**119,631**	**(64,976)**	**645,356**
15,687	**102,490**	**27,138**	**153,715**	**(43,410)**	**374,845**
9,820	**80,305**	**911,409**	**413,876**	**(1,430,388)**	**-**
19,830	**948**	**66,142**	**60,862**	**(50,370)**	**148,010**
223,240	**273,233**	**1,374,391**	**774,084**	**(1,600,554)**	**1,914,300**
52,646	**114,408**	**72,525**	**60,348**	**4,659**	**860,556**
26,019	**53,372**	**130,155**	**110,104**	**(64,157)**	**420,798**
840	**4,946**	**10,280**	**42,037**	**(20,008)**	**51,962**
122,336	**8,878**	**122,337**	**1,054,966**	**(1,430,706)**	**-**
21,399	**24,313**	**61,857**	**229,499**	**(63,929)**	**285,714**
223,240	**205,917**	**397,154**	**1,496,954**	**(1,574,141)**	**1,619,030**
$ -	**$ 67,316**	**$ 977,237**	**$ (722,870)**	**$ (26,413)**	**$ 295,270**

Finance and Administration	Transit System Fund	Water and Waste Funds[1]	Other Funds and Corporations[1]	Eliminations	Consolidated
$ 110,414	$ -	$ -	$ 13,810	$ (15,842)	$ 712,209
21,007	82,940	345,955	103,625	(64,066)	599,342
15,266	54,299	23,322	170,241	(24,253)	351,258
1,801	67,848	72,600	403,200	(564,985)	-
16,141	835	43,403	101,640	(36,097)	171,388
164,629	205,922	485,280	792,516	(705,243)	1,834,197
48,125	110,442	71,470	59,993	8,996	845,087
15,434	51,520	123,837	110,500	(60,725)	404,044
77	4,973	10,612	43,024	(19,388)	52,834
81,364	6,919	112,104	228,734	(585,979)	-
19,629	21,040	60,576	215,730	(46,765)	281,370
164,629	194,894	378,599	657,981	(703,861)	1,583,335
$ -	$ 11,028	$ 106,681	$ 134,535	$ (1,382)	$ 250,862

THE CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW

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

	2018	2017	2016	2015	2014
1. Population (as restated per Statistics Canada)	**753,700**	741,700	726,100	711,500	703,700
Unemployment rate (as restated per Statistics Canada)					
- Winnipeg	**6.3%**	5.8%	6.6%	6.0%	5.8%
- National average	**5.8%**	6.3%	7.0%	6.9%	6.9%
2. Average annual headcount	**10,490**	10,444	10,426	10,253	10,206
3. Number of taxable properties	**234,098**	231,360	228,941	226,736	223,411
Payments-in-lieu of taxes					
Number of properties	**1,410**	1,433	1,469	1,195	988
4. Assessment - Residential	**$ 69,872,623**	$ 67,339,104	$ 66,197,564	$ 60,492,101	$ 59,439,781
(see note) - Commercial and industrial	**19,288,744**	17,649,138	17,637,524	15,295,925	15,102,472
- Farm and golf	**436,161**	356,731	369,954	330,042	313,569
	$ 89,597,528	$ 85,344,973	$ 84,205,042	$ 76,118,068	$ 74,855,821
Assessment per capita (in dollars)	**$ 118,877**	$ 115,067	$ 115,302	$ 105,955	$ 105,542
Commercial and industrial as a percentage of assessment	**21.53%**	20.68%	20.95%	20.09%	20.18%
5. Tax arrears	**$ 56,704**	$ 52,599	$ 51,550	$ 58,121	$ 54,825
6. Tax arrears - per capita (in dollars)	**$ 75.23**	$ 70.92	$ 71.00	$ 80.90	$ 77.30
7. Municipal mill rate		13.063	12.766	13.682	13.372
- Adjustment for tax increase	**2.3%**	2.3%	2.3%	2.3%	3.0%
- Adjustment for general assessment	**-2.8%**	0.0%	-8.8%	0.0%	-11.0%
8. Tax Levies					
Municipal property taxes	**$ 568,274**	539,043	516,034	501,989	488,343
Payments-in-lieu of taxes	**20,338**	20,652	20,864	20,087	19,274
Local improvement and frontage levies	**65,006**	63,120	63,129	50,149	43,180
Business taxes and license-in-lieu of business taxes	**57,634**	55,844	57,254	55,766	58,818
Electricity and other taxes	**34,837**	33,550	33,735	32,332	31,186
Total taxes levied for municipal purposes	**746,089**	712,209	691,016	660,323	640,801
Taxes levied on behalf of others					
Province and school divisions	**699,765**	667,369	645,823	606,821	579,245
Total taxes levied	**1,445,854**	1,379,578	1,336,839	1,267,144	1,220,046
8. Winnipeg consumer price index (per Statistics Canada) (annual average)					
- 2002 base year 100	**133.3**	130.2	128.1	126.6	124.9
- Percentage increase	**2.4%**	1.6%	1.2%	1.3%	1.9%
9. Consolidated revenues					
- Taxation	**$ 746,089**	$ 712,209	$ 691,016	$ 660,323	$ 640,801
- User charges	**645,356**	599,342	569,641	545,637	526,330
- Government transfers	**374,845**	351,258	333,793	372,987	378,847
- Interest and other revenue	**138,010**	171,388	140,396	176,338	170,558
	$ 1,904,300	$ 1,834,197	$ 1,734,846	$ 1,755,285	$ 1,716,536
10. Consolidated expenses by function					
- Municipal operations	**$ 1,111,811**	$ 1,122,153	$ 1,118,943	$ 1,053,957	$ 1,067,090
- Public utilities	**433,215**	417,361	383,922	370,219	378,584
- Civic corporations	**74,004**	71,604	69,847	61,810	58,185
	$ 1,619,030	$ 1,611,118	$ 1,572,712	$ 1,485,986	$ 1,503,859
11. Growth in accumulated surplus	**$ 285,270**	$ 223,079	$ 162,134	$ 269,299	$ 212,677

Note: Current provincial legislation requires that a general assessment be performed every two years. A general assessment occurred in 2014, 2016 and 2018. 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.

FIVE-YEAR REVIEW - continued

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

	2018	2017	2016	2015	2014
12. Consolidated expenses by object					
Salaries and benefits	**$ 860,556**	$ 845,087	$ 836,857	$ 805,889	$ 779,586
Goods and services	**420,798**	404,044	414,575	387,853	428,012
Amortization	**257,362**	245,941	235,235	221,358	208,074
Interest	**51,962**	52,834	51,799	56,130	53,715
Other expenses	**28,352**	35,429	34,246	14,756	34,472
	$ 1,619,030	$ 1,583,335	$ 1,572,712	$ 1,485,986	$ 1,503,859
13. Payments to school authorities	**$ 699,765**	$ 667,369	$ 645,823	$ 606,821	$ 579,245
14. Debt					
Tax-supported	**$ 685,939**	$ 702,014	$ 725,602	$ 688,484	$ 687,586
Transit	**147,444**	112,019	93,594	93,669	97,125
City-owned utilities	**214,687**	214,010	216,250	185,789	198,737
Other	**87,706**	82,126	78,144	81,135	84,816
Total gross debt	**1,135,776**	1,110,169	1,113,590	1,049,077	1,068,264
Less: Sinking Funds	**82,065**	67,468	65,677	53,116	125,630
Total net long-term debt	**$ 1,053,711**	$ 1,042,701	$ 1,047,913	$ 995,961	$ 942,634
Percentage of total assessment	**1.18%**	1.22%	1.24%	1.31%	1.26%
Debt per capita	**$ 1,398**	$ 1,406	$ 1,443	$ 1,400	$ 1,340
15. Acquisition of tangible capital assets	**$ 613,849**	$ 475,911	$ 475,619	$ 558,409	$ 525,559
16. Net financial liabilities	**$ 678,915**	$ 630,786	$ 660,468	$ 584,798	$ 517,041
17. Accumulated surplus					
Invested in tangible capital assets	**$ 5,836,664**	$ 5,638,975	$ 5,396,951	$ 5,217,274	$ 4,890,347
Reserves					
Capital	**168,606**	143,413	145,970	135,829	127,051
Stabilization	**110,961**	79,764	67,410	75,632	81,784
Special Purpose	**68,992**	74,608	81,244	91,471	82,810
	348,559	297,785	294,624	302,932	291,645
Surpluses					
Manitoba Hydro long-term receivable	**220,238**	220,238	220,238	220,238	220,238
Other surpluses	**220,806**	169,443	153,880	140,001	185,214
Unfunded expenses	**(295,548)**	(290,992)	(281,106)	(257,992)	(227,104)
	145,496	98,689	93,012	102,247	178,348
	$ 6,330,719	$ 6,035,449	$ 5,784,587	$ 5,622,453	$ 5,360,340
18. Government-specific indicators					
Assets-to-liabilities	**4.58**	4.46	4.34	4.47	4.49
Financial assets-to-liabilities	**0.62**	0.64	0.62	0.64	0.66
Public debt charges-to-revenues	**0.03**	0.03	0.03	0.03	0.03
Own-source revenues-to-taxable assessment	**0.02**	0.02	0.02	0.02	0.02
Government transfers-to-revenues	**0.20**	0.19	0.19	0.21	0.22

2018 Funds
Detailed Financial Statements

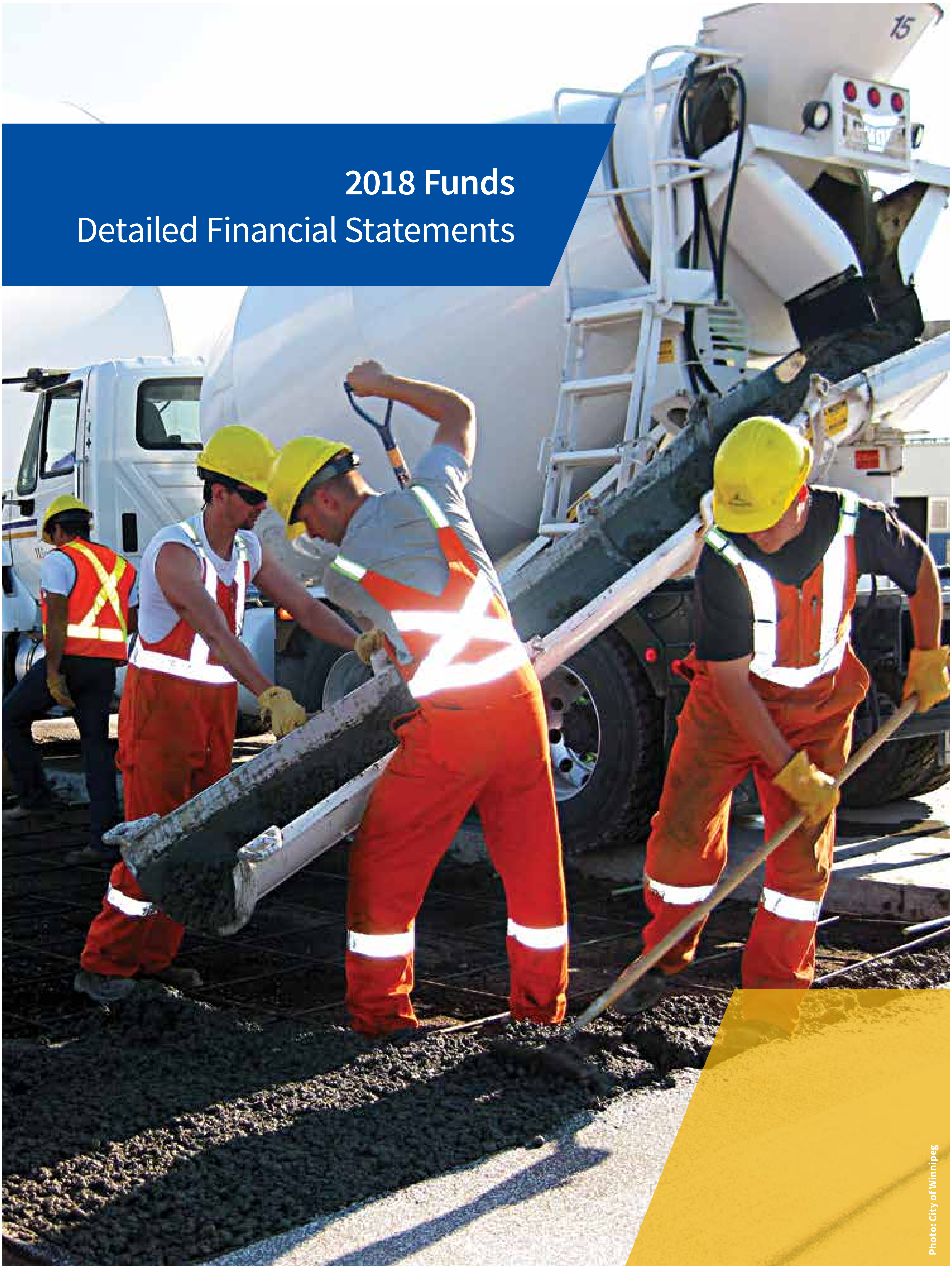

Photo: City of Winnipeg

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

The City of Winnipeg (the "City") is a single-tier municipality created on January 1, 1972, pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba (the "Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, parks and recreation. 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, 2018, the General Revenue Fund reported a surplus of $19.5 million (2017 - $15.0 million) before transfers. Factors that contributed to the General Revenue Fund's position were as follows:

- The City experienced a $6.6 million favourable variance in their corporate accounts, mostly due to saving in debt and finance charges due to delaying new debt issuance. Savings were also realized on adjustments to provisions, pension contributions and severance. These savings are offset by a shortfall in budgeted efficiency savings that are being realized in departments.
- The Police Service department experienced a $4.2 million favourable variance, mainly due to savings in salaries and other benefits as well as higher revenues.
- Corporate Finance had a favourable variance of $3.5 million, mostly related to higher investment interest revenue and savings in salaries and benefits.
- Public Works had a positive variance mostly related to net savings in insect control expenditures and savings from salaries and benefits. This is somewhat offset by higher snow clearing program expenditures.
- Community Service department's had a favorable variance of $1.5 million mainly due to savings in salaries and benefits.
- City Clerks department's favourable variance is mostly related to higher revenues related to appeals.
- Corporate Support Services experienced a $1.0 million favourable variance due to savings in salaries and benefits.
- Assessment and Taxation department experienced a $1.4 million unfavourable variance mainly due to higher assessment appeals allowance which is somewhat offset by higher tax penalty interest revenue.
- Other departmental revenue and expenses resulted in a favourable variance of $2.2 million.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

FIVE-YEAR REVIEW

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

	2018	2017	2016	2015	2014
Planning, Property and Development					
Construction					
-Permits issued	**10,249**	10,859	10,213	8,821	8,595
-Value	**$ 1,849,842**	$ 2,015,542	$ 1,804,579	$ 1,435,969	$ 1,537,716
Housing starts	**3,757**	5,046	4,002	3,656	4,548
Community Services					
Libraries Provincial Transfer	**$ 2,010**	$ 2,010	$ 2,010	$ 2,010	$ 2,010
Library circulation	**4,881,757**	4,898,940	5,121,266	5,242,048	5,211,846
Taxes Receivable					
Property, payments-in-lieu and business taxes	**$ 52,999**	$ 51,469	$ 49,987	$ 57,072	$ 51,777
Allowance for tax arrears	**(813)**	(755)	(330)	(4,255)	(6,183)
	$ 52,186	$ 50,714	$ 49,657	$ 52,817	$ 45,594
Tax Revenues					
Municipal realty taxes	**$ 551,642**	$ 535,344	$ 512,746	$ 497,401	$ 480,053
Payments-in-lieu of taxes	**$ 35,794**	$ 36,134	$ 35,424	$ 34,066	$ 32,885
Business and licenses-in-lieu of business taxes	**$ 55,070**	$ 55,411	$ 57,254	$ 56,328	$ 57,729
Statement of Operations					
Revenues	**$ 1,093,161**	$ 1,066,773	$ 1,066,676	$ 1,000,598	$ 979,856
Expenses	**1,073,663**	1,051,795	1,066,676	984,257	979,132
	19,498	14,978	-	16,341	724
Contribution to:					
Financial Stabilization Reserve	**(19,498)**	(14,978)	-	-	-
General Purpose Reserve	**-**	-	-	(16,341)	(724)
Surplus	**$ -**	$ -	$ -	$ -	$ -

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

STATEMENT OF FINANCIAL POSITION

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

	2018	2017
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 534,696**	$ 666,951
Accounts receivable (Note 4)	**93,180**	99,878
Materials and supplies	**9,900**	10,593
Prepaid expenses	**2,395**	2,732
	640,171	780,154
Investments (Note 5)	**23,674**	17,876
Contributed surplus and other assets (Note 6)	**39,859**	37,785
	$ 703,704	$ 835,815
LIABILITIES		
Current		
Notes payable (Note 7)	**$ 129,719**	$ 233,269
Due to other funds (Note 8)	**357,576**	389,934
Accounts payable and accrued liabilities (Note 9)	**148,100**	144,093
Deferred revenue (Note 10)	**42,911**	40,772
Performance and other deposits	**25,398**	27,747
	$ 703,704	$ 835,815

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)

	2018 Budget	**2018 Actual**	2017 Actual
REVENUES (Schedule 1)			
Taxation (Note 12)	**$ 695,689**	**$ 695,719**	$ 678,107
Government transfers	**133,530**	**134,912**	127,650
Regulation fees	**72,883**	**73,018**	69,904
Sale of goods and services (Note 13)	**54,499**	**58,775**	61,517
Investment and other interest	**48,380**	**51,352**	41,758
Payments-in-lieu of taxes (Note 12)	**35,794**	**35,794**	36,134
Contributions and transfers	**23,374**	**24,798**	32,009
Sale of Winnipeg Hydro and Other	**17,939**	**18,793**	19,694
Total Revenues	**1,082,088**	**1,093,161**	1,066,773
EXPENSES (Schedules 2 and 3)			
Protection and community services	**595,884**	**596,956**	592,207
Public works	**277,016**	**271,781**	265,276
Finance and administration	**95,007**	**95,519**	92,822
Contribution and appropriations	**66,405**	**85,903**	68,304
Property and development	**40,430**	**41,357**	45,692
Employee benefits and payroll tax	**14,853**	**13,607**	13,590
Debt and finance charges	**518**	**462**	502
Other	**(8,025)**	**(12,424)**	(11,620)
Total Expenses	**1,082,088**	**1,093,161**	1,066,773
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; other municipal bonds; schedule A bank bonds and schedule B bankers' bonds; 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 1.25% 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 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 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

	2018	2017
Cash	**$ 23,665**	$ 22,463
Cash equivalents	**511,031**	644,488
	$ 534,696	$ 666,951

Cash equivalents have an effective average interest rate of 2.13% (2017 - 1.31%).

4. Accounts Receivable

	2018	2017
Property, payments-in-lieu and business taxes	**$ 52,999**	$ 51,469
Allowance for tax arrears	**(813)**	(755)
	52,186	50,714
Trade accounts and other receivables	**36,620**	34,267
Province of Manitoba	**15,149**	22,547
Government of Canada	**5,262**	4,141
Accrued interest receivable	**1,364**	730
Allowance for doubtful accounts	**(17,401)**	(12,521)
	40,994	49,164
	$ 93,180	$ 99,878

5. *Investments*

		2018		2017
Marketable securities				
Municipal bonds	**$**	**17,630**	$	8,759
Provincial bonds		**6,044**		9,117
	$	**23,674**	$	17,876

The aggregate market value of marketable securities at December 31, 2018 is $23.6 million (2017 - $18.0 million).

6. *Contributed Surplus and Other Assets*

		2018		2017
Contributed surpluses:				
Golf Services - Special Operating Agency	**$**	**20,575**	$	20,575
Land Operating Reserve		**8,425**		8,425
Winnipeg Parking Authority - Special Operating Agency		**73**		73
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		**2,791**		2,830
Capital loan receivable:				
Capitalize land development costs in St. Boniface Industrial Park Phase II, non-interest bearing		**1,818**		1,964
Deferred election costs		**2,259**		-
	$	**39,859**	$	37,785

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 1.70% (2017 - 0.95%). These notes are callable by the issuers.

		2018		2017
Winnipeg Civic Employees' Benefits Program (Pension Fund)	**$**	**73,794**	$	151,312
Winnipeg Police Pension Plan		**47,363**		74,390
Insurance Reserve		**4,705**		3,560
Sinking Fund		**1,673**		869
Workers Compensation Reserve		**1,160**		1,844
Brady Landfill Site Rehabilitation Reserve		**221**		257
Perpetual Maintenance Reserve Funds:				
- Brookside Cemetery		**482**		788
- St. Vital Cemetery		**169**		127
- Transcona Cemetery		**152**		122
	$	**129,719**	$	233,269

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 to/(from)" 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.

	2018	2017
Capital Reserves	**$ 195,648**	$ 159,269
Financial Stabilization Reserve	**110,961**	79,764
Sewage Disposal System	**72,101**	85,175
Special Purpose Reserves	**49,510**	51,046
Winnipeg Parking Authority - Special Operating Agency	**11,432**	9,221
Land Drainage	**9,538**	-
Solid Waste Disposal	**7,784**	11,809
Municipal Accommodations	**7,096**	4,235
Animal Services - Special Operating Agency	**2,922**	2,326
Trusts	**224**	219
Equipment and Material Services	**136**	134
Golf Services - Special Operating Agency	**(5,941)**	(6,495)
Waterworks System	**(10,184)**	(17,811)
Fleet Management - Special Operating Agency	**(14,765)**	(15,446)
Transit System	**(23,475)**	6,061
General Capital	**(55,411)**	20,427
	$ 357,576	$ 389,934

9. *Accounts Payable and Accrued Liabilities*

	2018	2017
Trade accounts payable	**$ 58,019**	$ 59,736
Provincial education support and school division special levies payable	**34,325**	33,109
Wages and employee benefits payable	**22,796**	26,093
Provision for assessment appeals	**17,705**	11,633
Other accrued liabilities	**13,881**	12,079
Accrued interest on long-term debt	**1,374**	1,443
	$ 148,100	$ 144,093

10. *Deferred Revenue*

	2018	2017
Deferred gain on sale of assets to:		
Golf Services - Special Operating Agency	**$ 21,101**	$ 21,190
Winnipeg Parking Authority - Special Operating Agency	**2,427**	3,900
Permit, membership & survey fees	**16,790**	13,351
Rentals	**1,345**	1,250
Registration fees and other	**1,248**	1,081
	$ 42,911	$ 40,772

11. Commitments and Contingent Liabilities

The following significant commitments and contingencies existed at December 31, 2018:

a) Loan guarantees

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

	2018	2017
CentreVenture Development Corporation	**$ 27,887**	$ 26,351
The Convention Centre Corporation	**25,586**	24,099
Fort Rouge Yards	**9,956**	10,000
Winnipeg Soccer Federation	**6,808**	6,958
Garden City Community Centre Inc.	**6,396**	6,510
Dakota Community Centre Inc.	**4,511**	8,204
Transcona East End Community Club Inc.	**3,727**	3,809
Assiniboine Park Conservancy	**3,500**	4,800
Southdale Recreation Association Inc.	**2,289**	2,421
Gateway Recreation Centre Inc.	**273**	420
Winnipeg Housing Rehabilitation Corporation	**57**	417
	$ 90,990	$ 93,989

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, 2018, 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, 2018 cannot be predicted with certainty. The expense is recorded when settlement occurs.

12. Taxation

The property tax roll recorded in the General Revenue Fund for the year totaled $1.2 billion (2017 - $1.2 billion). This included school taxes of $668.9 million (2017 - $636.9 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were $66.6 million (2017 - $66.6 million). Included were payments-in-lieu of school taxes assessed in 2018 of $30.8 million (2017 - $30.5 million). School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba and are not reflected as revenues or expenses in these financial statements. When an assessment is reduced, the City is compelled by legislation to refund municipal taxes, school taxes and payments-in-lieu of school taxes, with applicable interest.

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

12. Taxation (continued)

The amounts levied are as follows:

	2018	2017
Sewage Disposal System	**$ 11,480**	$ 11,531
Waterworks System	**2,788**	2,809
Transit System	**864**	804
Winnipeg Parking Authority - Special Operating Agency	**194**	202
Solid Waste Disposal	**39**	35
	$ 15,365	$ 15,381

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:

	2018	2017
Waterworks System	**$ 1,073**	$ 1,069
Sewage Disposal System	**927**	922
Transit System	**801**	797
Municipal Accommodations	**620**	617
Solid Waste Disposal	**138**	138
Winnipeg Parking Authority - Special Operating Agency	**101**	80
Animal Services - Special Operating Agency	**79**	78
	$ 3,739	$ 3,701

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 $1.3 million (2017 - $1.3 million).

Included in Public Works department's expenses is a transfer to the Insect Control Urgent Expenditures Reserve $1.9 million (2017 - $2.0 million).

Included in Planning, Property and Development department's expenses is a transfer to the Perpetual Maintenance Reserves in the amount of $145 thousand (2017 - $125 thousand), a transfer to the Permit Reserve of $365 thousand (2017 - $641 thousand), a transfer to Golf Services in the amount of $730 thousand (2017 - $462 thousand) and the Housing Rehabilitation Investment Reserve of $1.0 million (2017 - $1.0 million).

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes $298 thousand (2017 - $330 thousand) from the Special Purpose Reserves, $572 thousand (2017 - $614 thousand) from the Capital Reserves, and $293 thousand (2017 - $238 thousand) from the Sinking Fund. There was $322 thousand (2017 - $265 thousand) recovered from the Financial Stabilization Reserve.

Included in government affairs, pension contribution and other expenses during 2018 is a $94 thousand (2017 - $94 thousand) transfer from the Municipal Accommodations Fund.

Included in finance and administration expense category is a transfer to the General Purpose Reserve in the amount of $110 thousand (2017- $88 thousand).

14. *Contributions and Appropriations to Related Parties (continued)*

Included in the other expense category is a transfer from the General Capital Fund of $1.5 million (2017 - $1.7 million) related to capital expenditures.

Included in various expense categories are the following: during 2018 a transfer of $64.2 million to the Municipal Accommodations Fund (2017 - $67.3 million); a transfer to the Computer Replacement Reserve of $783 thousand (2017 - $978 thousand); a transfer to the General Capital Fund of $31.7 million (2017 - $57.0 million) to fund capital projects; a contribution to the Commitment Reserve of $1.3 million (2017 - $2.4 million); a transfer to the Insurance Reserve of $841 thousand (2017 - $1.2 million); a transfer to the Waterworks System Fund of $82 thousand (2017 - $78 thousand); a transfer to Local Streets Renewal Reserve of $29.8 million (2017 - $24.3 million) and a transfer to Regional Streets Renewal Reserve of $25.3 million (2017 - $19.8 million).

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 $62.6 million (2017 - $60.3 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, 2018 has been estimated to be $3.6 million (2017 - $3.9 million). In 2018, the City paid out $0.3 million (2017 - $0.3 million).

c) Council Pension Benefits Program Established Under By-Law No. 7869/01

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 2018, the City paid out $0.6 million (2017 - $0.4 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, 2018 at $71.0 million (2017 - $73.1 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, 2018 is estimated at $34.0 million (2017 - $33.0 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, 2018 is estimated at $46.0 million (2017 - $44.0 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, 2018 is estimated at $32.8 million (2017 - $32.8 million).

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

17. Related Party Transactions

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

18. Comparative figures

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

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2018 Budget	2018 Actual	2017 Actual
Taxation			
Municipal realty tax	$ **551,635**	$ **551,642**	$ 535,344
Frontage levy	**63,017**	**62,906**	62,609
Business and licenses-in-lieu of business taxes	**55,070**	**55,070**	55,411
Electricity and natural gas sales taxes	**21,325**	**21,736**	20,383
Entertainment tax	**2,250**	**2,066**	2,140
Local improvement tax	**1,226**	**1,189**	1,049
Billboard tax	**701**	**689**	701
Licenses-in-lieu of realty tax	**365**	**369**	368
Local improvement tax commuted	**100**	**52**	102
	695,689	**695,719**	678,107
Government transfers			
Provincial of Manitoba			
Municipal Operating Grant	**95,867**	**95,776**	95,865
Public Safety	**23,955**	**23,955**	23,955
	119,822	**119,731**	119,820
Less: Support for Provincial Programs	**(23,650)**	**(23,650)**	(23,650)
	96,172	**96,081**	96,170
Transfer for paramedic services	**33,060**	**33,301**	27,306
Other	**4,283**	**5,530**	4,174
	133,515	**134,912**	127,650
Government of Canada	**15**	**-**	-
	133,530	**134,912**	127,650

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2018 Budget	2018 Actual	2017 Actual
Regulation fees			
Permits and fees	**34,395**	**32,473**	31,003
Fines	**21,202**	**21,668**	21,619
Tax penalty interest	**15,200**	**16,330**	14,745
Licenses	**2,086**	**2,547**	2,537
	72,883	**73,018**	69,904
Sale of goods and services	**54,499**	**58,775**	61,517
Investment and other interest			
Transfer from Sewage Disposal System	**22,728**	**22,728**	20,652
Transfer from Waterworks System	**15,487**	**15,487**	14,943
Transfer from Parking	**4,921**	**4,920**	500
Interest earned	**3,001**	**5,363**	3,321
Interest capitalized	**2,000**	**2,611**	2,250
Transfer from Fleet	**243**	**243**	92
	48,380	**51,352**	41,758
Payments-in-lieu of taxes	**35,794**	**35,794**	36,134
Contributions and transfers			
Municipal Accommodations (Note 14)	**11,957**	**12,289**	12,231
Workers Compensation Reserve	**3,000**	**3,000**	1,000
Land Operating Reserve	**2,535**	**2,535**	395
Insect Control Urgent Expenditure Reserve	**1,000**	**1,966**	1,222
Southwest Rapid Transit Corridor Reserve	**1,300**	**1,300**	-
Permit Reserve	**1,000**	**1,000**	600
Transit System	**783**	**784**	783
Housing Rehabilitation Reserve	**587**	**686**	736
Waterworks System	**679**	**679**	678
Perpetual Maintenance	**317**	**324**	324
Winnipeg Parking Authority - Special Operating Agency	**135**	**135**	133
Destination Marketing Reserve	**81**	**100**	60
Sewage Disposal System	**-**	**-**	10,672
Financial Stabilization Reserve	**-**	**-**	2,866
Winnipeg Enterprises	**-**	**-**	309
	23,374	**24,798**	32,009

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2018 Budget	2018 Actual	2017 Actual
Sale of Winnipeg Hydro and other			
Manitoba Hydro	**16,000**	**16,000**	16,000
Other revenues	**1,939**	**2,793**	3,694
	17,939	**18,793**	19,694
Total Revenues	**$ 1,082,088**	**$ 1,093,161**	$ 1,066,773

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2018 Budget	2018 Actual	2017 Actual
Protection and community services			
Police service	**$ 291,450**	**$ 290,564**	$ 284,006
Fire paramedic service	**193,457**	**196,677**	195,242
Community services	**109,946**	**108,684**	111,928
Museums	**1,031**	**1,031**	1,031
	595,884	**596,956**	592,207
Public works			
Public works	**241,375**	**237,722**	222,145
Water and waste	**22,335**	**21,634**	30,686
Street lighting	**13,306**	**12,425**	12,445
	277,016	**271,781**	265,276
Finance and administration			
Corporate support services	**34,811**	**33,808**	34,708
Assessment and taxation	**22,433**	**25,164**	21,441
City clerks	**13,161**	**13,613**	14,444
Corporate finance	**9,113**	**8,274**	8,037
Chief administrative offices	**4,658**	**4,509**	4,138
Council	**3,574**	**3,474**	3,420
Legal services	**3,292**	**3,240**	3,075
Mayor's office	**1,805**	**1,734**	1,595
Audit	**1,375**	**1,154**	1,326
Policy development and strategic initiatives	**785**	**549**	638
	95,007	**95,519**	92,822
Contributions and appropriations			
Contribution to Transit System	**66,405**	**66,405**	53,326
Transfer to Financial Stabilization Reserve	**-**	**19,498**	14,978
	66,405	**85,903**	68,304
Property and development			
Planning, property and development	**40,430**	**41,357**	45,692
Employee benefits and payroll tax			
Provincial payroll tax	**11,066**	**11,060**	10,889
Employee benefits	**3,787**	**2,547**	2,701
	14,853	**13,607**	13,590

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2018 Budget	2018 Actual	2017 Actual
Debt and finance charges			
Transfer to General Capital Fund	**25,822**	**23,317**	23,141
Other interest and finance charges	**-**	**4,190**	2,058
Transfer charges to departments	**(25,304)**	**(27,045)**	(24,697)
	518	**462**	502
Other			
Insurance and damage claims	**3,585**	**3,586**	3,838
Government affairs, pension contribution and other	**(11,610)**	**(16,010)**	(15,458)
	(8,025)	**(12,424)**	(11,620)
Total Expenses	**$ 1,082,088**	**$ 1,093,161**	$ 1,066,773

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 3

EXPENSES BY OBJECT

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

	2018 Budget	**2018 Actual**	2017 Actual
Salaries and employee benefits	**$ 617,317**	**$ 608,616**	$ 594,188
Transfers to other Funds	**220,523**	**245,515**	245,555
Services	**145,083**	**143,803**	138,434
Materials, parts and supplies	**38,447**	**39,770**	38,112
to other authorities - departmental and corporate			
Grants and payments	**34,209**	**33,215**	32,548
Debt and finance charges - departmental and corporate	**29,324**	**25,408**	24,625
Municipal tax, amortization and other	**11,452**	**16,456**	11,525
Provincial payroll tax	**11,066**	**11,060**	10,889
Assets - purchases and renovations	**6,644**	**7,937**	6,766
Recoveries	**(31,977)**	**(38,619)**	(35,869)
	$ 1,082,088	**$ 1,093,161**	$ 1,066,773

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 2018 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 2018 with 2017 comparative figures are as follows:

	2018	2017
Provincial education support program levy		
Other property	**$ 112,782,891**	$ 107,234,613
Special levies (by school division)		
Winnipeg	**185,924,095**	178,368,654
Louis Riel	**106,538,958**	101,232,152
Pembina Trails	**104,767,213**	99,365,830
River East - Transcona	**78,450,035**	74,540,517
St. James - Assiniboia	**56,343,683**	54,363,784
Seven Oaks	**49,759,108**	47,296,093
Seine River	**5,139,261**	4,929,862
Interlake	**44,983**	37,632
	586,967,336	560,134,524
	$ 699,750,227	$ 667,369,137
Allocated as follows:		
Realty taxes	**$ 668,925,471**	$ 636,895,910
Payments-in-lieu of taxes	**30,824,756**	30,473,227
	$ 699,750,227	$ 667,369,137

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 5

2018 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

As at April 13, 2018
(unaudited)

	Portion	Taxable	Exempt Subject to Payments-in-Lieu	Exempt	Total
Residential 1	45.0%	$ 25,356,363,738	$ 103,423,064	$ 64,784,555	$ 25,524,571,357
Residential 2	45.0%	3,603,028,665	350,369,550	3,466,395	3,956,864,610
Residential 3	45.0%	2,029,495,500	-	133,200	2,029,628,700
Farm	26.0%	65,110,611	6,888,586	64,097,876	136,097,073
Institutional	65.0%	915,454,487	87,335,950	1,939,186,747	2,941,977,184
Pipelines	50.0%	15,700,500	-	-	15,700,500
Railways	25.0%	93,188,384	-	-	93,188,384
Designated recreational facilities	10.0%	15,194,480	729,600	4,435,300	20,359,380
Other	65.0%	10,071,523,844	908,651,090	1,765,941,636	12,746,116,570
Legislative building	65.0%	-	9,518,270	-	9,518,270
		$ 42,165,060,209	$ 1,466,916,110	$ 3,842,045,709	$ 47,474,022,028

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 2018 budget for the General Capital Fund of $214.0 million was a 9.2% decrease from the 2017 budget of $236.0 million. Capital asset additions in 2018 relating to 2018 and previous years capital budgets, decreased from $258.1 million in 2017 to $235.8 million for a net decrease in asset additions of $22.2 million in 2018.

Of the $235.8 million of assets placed into service, $154.3 million was for Roads and Bridges, $21.8 million was for Buildings, $21.2 million was for Other Assets and $8.9 million was for Computer assets.

Included in the additions to major Roads and Bridges, Buildings, and Other Assets projects during the year were the following:

- Local Streets Renewal program	$	61.6	million
- Developer Contributed Roads	$	17.6	million
- Regional Streets Renewal program	$	12.6	million
- Bike Lanes	$	11.1	million
- Fermor Avenue, St Anne's to Archibald	$	7.1	million
- Tache Promenade	$	6.7	million
- Chief Peguis Trail Pedestrian & Cycle Facilities	$	6.1	million
- McPhillips Street, Logan to Jarvis	$	6.0	million
- Pan Am Facility Upgrades	$	5.5	million
- Saskatchewan Avenue Culvert (Sturgeon Creek)	$	5.3	million
- Waverley Street at CN Mainline	$	5.3	million
- McGregor Street, Selkirk to Mountain	$	5.2	million
- Windsor Park Library Redevelopment	$	4.9	million
- Roblin Street, Assiniboine to Shaftesbury	$	4.6	million
- Empress Street Pavement Rehabilitation	$	4.4	million
- Garry Street, Assiniboine to Princess	$	4.2	million
- St. Vital Library Redevelopment	$	2.3	million

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

FIVE-YEAR REVIEW

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

	2018	2017	2016	2015	2014
Tangible Capital Assets	**$ 3,058,314**	$ 3,783,556	$ 3,669,779	$ 3,545,245	$ 3,378,941
% change in tangible capital assets	**(19.17%)**	3.10%	3.51%	4.92%	4.88%
Debt					
Net Sinking Fund, serial and installment	**$ 457,076**	$ 469,663	$ 483,609	$ 449,085	$ 406,859
Other long-term debt	**201,876**	212,870	199,721	205,193	200,903
Total long-term debt	**$ 658,952**	$ 682,533	$ 683,330	$ 654,278	$ 607,762
% change in total debt	**(3.45%)**	(0.12%)	4.44%	7.65%	27.63%
Interest Expense	**$ 33,169**	$ 35,036	$ 34,817	$ 35,646	$ 32,381
% change in external interest expense	**(5.33%)**	0.63%	(2.33%)	10.08%	7.65%
Summary of Cash Flows					
Operating activities	**$ (655,070)**	$ 255,304	$ 289,893	$ 241,484	$ 196,171
Long-term debt (retired) issued, net	**$ (15,341)**	$ (20,860)	$ 37,800	$ 1,528	$ 130,388
Payments to The Sinking Fund Trustees, net	**$ 8,593**	$ 22,799	$ (6,308)	$ 47,954	$ 24,962
Due from/to General Revenue Fund	**$ 75,838**	$ 1,485	$ (57,894)	$ 6,796	$ (67,714)
Capital acquisitions	**$ (235,881)**	$ (258,170)	$ (262,471)	$ (296,946)	$ (279,819)
Other	**$ 821,861**	$ (558)	$ (1,020)	$ (816)	$ (3,988)

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF FINANCIAL POSITION

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

	2018	2017
FINANCIAL ASSETS		
Due from General Revenue Fund (Note 3)	**$ -**	$ 20,427
Accounts receivable (Note 4)	**31,597**	77,435
Capital loans receivable (Note 5)	**21,248**	22,458
	52,845	120,320
LIABILITIES		
Due to General Revenue Fund (Note 3)	**55,411**	-
Accounts payable and accrued liabilities (Note 6)	**16,480**	15,744
Capital loans payable	**9,532**	-
Expropriation liability	**42,436**	48,178
Deferred revenue	**153**	3,070
Deferred revenue related to capital assets (Note 7)	**8,416**	36,011
Debt (Note 8)	**658,952**	682,533
Deferred liabilities	**1,156**	1,303
Developer deposits	**9,613**	7,267
	802,149	794,106
NET FINANCIAL LIABILITIES	**(749,304)**	(673,786)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	**3,058,314**	3,783,556
Prepaid expenses	**1,785**	1,813
	3,060,099	3,785,369
ACCUMULATED SURPLUS (Note 11)	**$ 2,310,795**	$ 3,111,583

Commitments (Note 12)

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)

	2018	2017
REVENUES		
Transfers from other City of Winnipeg Funds (Schedule 2)	**$ 105,381**	$ 111,912
Capital funding recognized (Note 7)	**60,939**	52,811
Province of Manitoba capital transfer	**36,557**	77,832
Transfer from General Revenue Fund		
Debt and finance	**23,317**	23,141
Other	**186**	1,752
Developer contributions-in-kind	**20,839**	72,901
Government of Canada capital transfer	**15,954**	1,018
Interest income	**1,066**	1,972
Developer deposit	**-**	1,384
Other	**7,465**	4,188
	271,704	348,911
EXPENSES		
Transfers to other City of Winnipeg Funds (Schedule 2)	**865,795**	21,725
Amortization	**132,759**	143,111
Interest - External debt	**33,169**	35,036
Grants	**18,400**	24,165
Infrastructure maintenance	**17,309**	16,874
Loss on disposal of tangible capital assets	**413**	699
Other	**4,648**	165
	1,072,493	241,775
NET SURPLUS FOR THE YEAR	**(800,789)**	107,136
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**3,111,583**	3,004,447
ACCUMULATED SURPLUS, END OF YEAR (Note 11)	**$ 2,310,794**	$ 3,111,583

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)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ (800,789)**	$ 107,136
Non-cash charges to operations		
Amortization	**132,759**	143,111
Loss on disposal of tangible capital assets	**413**	699
Working capital from operations	**(667,617)**	250,946
Net change in working capital	**46,602**	(13,355)
Net change in expropriation liabilities	**(5,742)**	5,805
Net change in deferred liabilities, deferred revenue and developer deposits	**(28,313)**	11,908
	(655,070)	255,304
FINANCING		
Debt issued	**-**	18,964
Debenture debt retired	**(15,341)**	(39,824)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(15,954)**	(1,972)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**8,593**	22,799
Capital loans receivable	**1,210**	1,595
Capital loans payable	**9,532**	-
Due to General Revenue Fund	**75,838**	1,485
Other	**(879)**	(764)
	62,999	2,283
INVESTING		
Net purchase of capital assets (Schedule 1)	**(235,881)**	(258,170)
Transfer of Assets to Land Drainage System	**821,856**	-
Net proceeds on disposal of tangible capital assets	**6,095**	583
	592,070	(257,587)
CASH, BEGINNING OF YEAR	**-**	-
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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	5 to 25 years
Buildings	10 to 50 years
Machinery and equipment	5 to 25 years
Vehicles	5 to 10 years
Computer hardware and software	5 to 10 years
Water and waste	
Underground networks	10 to 100 years
Flood stations and other infrastructure	20 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 1/4% 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 received are recognized in the fund financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City's behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

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.

2. *Status of the General Capital Fund*

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

3. *Due from 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*

	2018	2017
Province of Manitoba	**$ 16,642**	$ 63,516
Government of Canada	**4,606**	998
Local improvements - Fairfield Park	**1,019**	1,064
Other	**9,330**	11,857
	$ 31,597	$ 77,435

5. *Capital Loans Receivable*

At varying maturities up to the year 2035 with a weighted average interest rate for the year 2018 of 5.40% (2017 - 5.41%) due from the following:

	2018	2017
Transit System	**$ 21,248**	$ 22,458

6. *Accounts Payable and Accrued Liabilities*

	2018	2017
Trade accounts payable	**$ 8,753**	$ 11,725
Contractors' holdbacks	**7,727**	3,896
Accrued interest payable	**-**	123
	$ 16,480	$ 15,744

7. *Deferred Revenue Related to Capital Assets*

Deferred revenue related to capital assets represents funding transferred from the General Revenue, the Municipal Accommodations and the Transit System 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.

	2018	2017
Beginning balance	**$ 36,011**	$ 24,673
Contributions received from:		
General Revenue Fund	**31,725**	56,971
Municipal Accommodations Fund	**1,012**	5,192
Transit System	**607**	1,986
	33,344	64,149
Deduct capital funding recognized	**60,939**	52,811
	$ 8,416	$ 36,011

8. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2018**	2017
2014-2045	Jun. 1	4.100	WD1	and 149/13	**$ 60,000**	$ 60,000
2014-2045	Jun. 1	3.713	WD2	100/12, 23/13 and 149/13	**60,000**	60,000
2015-2045	Jun. 1	3.828	WD3	144/11, 100/12, 23/13, 149/13, 5/15 and 61/15	**56,381**	56,381
2016-2045	Jun. 1	3.303	WD4	72/06, 23/13, 149/13, 5/15, 96/15 and 40/16	**47,363**	47,363
2011-2051	Nov. 15	4.300	WC1	72/06, 183/08, and 150/09	**20,250**	20,250
2012-2051	Nov. 15	3.853	WC2	93/2011	**50,000**	50,000
2012-2051	Nov. 15	3.759	WC3	120/09, 93/11, and 138/11	**75,000**	75,000
2013-2051	Nov. 15	4.300	WC4	93/2011 and 84/2013	**60,000**	60,000
2014-2051	Nov. 15	3.893	WC4	93/2011 and 145/2013	**52,568**	52,568
					481,562	481,562
Equity in Sinking Fund (Note 8b)					**(28,806)**	(21,445)
Net sinking fund debentures outstanding					**452,756**	460,117

Other long-term debt outstanding

	2018	2017
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.50% (2017 - 4.40%)	**4,320**	9,546

8. *Debt (continued)*

	2018	2017
Service concession arrangement obligations (Notes 8c and 12a)	**148,338**	150,432
Capital lease obligations with varying maturities up to 2038 and a weighted average interest rate of 8.18% (2017 - 8.18%) (Note 8d)	**22,519**	23,398
Canada Mortgage and Housing Corporation ("CMHC") term loan, maturity February 1, 2026, interest rate of 3.72%	**5,813**	6,428
Toronto Dominion Bank fixed rate term loan, maturity December 22, 2027, interest rate of 2.87%	**12,979**	17,000
Tuxedo Yards development loan with an interest rate of 2.60% (2017 - 2.16%)	**2,484**	5,507
Garden City Community Centre grant loan with an interest rate of 4.16%	**5,188**	5,328
Transcona East End Community Centre grant loan with an interest rate of 4.00%	**2,737**	2,813
General Revenue Fund debt issued to mature 2031 with an interest rate of 3.20% (2017 - 2.90%)	**1,818**	1,964
	$ 658,952	$ 682,533

Debt to be retired over the next five years:

	2019	2020	2021	2022	2023	Thereafter
Sinking fund debentures	$ -	$ -	$ -	$ -	$ -	$ 481,562
Serial and installment debt	4,320	-	-	-	-	-
Service concession arrangements	2,264	2,449	2,648	2,863	3,097	135,017
Capital lease obligations	959	1,155	1,365	1,618	1,970	15,452
CMHC	637	661	686	711	737	2,381
Toronto Dominion	1,283	1,320	1,358	1,397	1,438	6,183
Tuxedo Yards	2,484	-	-	-	-	-
General Revenue Fund	146	146	146	146	146	1,088
Community Centre Grants	228	237	247	258	261	6,694
	$ 12,321	$ 5,968	$ 6,450	$ 6,993	$ 7,649	$ 648,377

8. *Debt (continued)*

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 required the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. At the end of 2018, all outstanding debt that required annual payments by the City to The Sinking Fund Trustees has matured. 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 two percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

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 $107.7 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 $6.1 million. As at December 31, 2018, $107.4 million was capitalized (Note 10). Monthly capital and interest performance-based payments totaling $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 $107.7 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 12.

(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, 2018, $195.0 million was capitalized for commissioned works (Note 10). Monthly capital and interest performance-based payments totaling $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 12.

	2018	2017
DBF2 - Chief Peguis Trail	**$ 46,202**	$ 46,881
Plenary Roads Winnipeg GP - Disraeli Bridges	**102,137**	103,551
	$ 148,339	$ 150,432

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

	2019	2,563
	2020	2,680
	2021	2,794
	2022	2,930
	2023	3,141
	thereafter	20,917
Total future minimum lease payments		35,025
Amount representing interest at a weighted average interest rate of 8.18%		(12,506)
Balance of the capital lease obligations		$ 22,519

9. *Establishment of a New Land Drainage System Fund*

Effective January 1, 2018 a new Land Drainage System fund was established to provide financing for flood pumping stations, storm water retention, support services allocation, debt and finance, local land drainage maintenance, and lot grades.

Previous to the establishment of the new Land Drainage System fund, land drainage activities were primarily operated within the General Capital fund. On January 1, 2018 all land drainage assets and liabilities were transferred to the new fund totaling $829.7 million.

	2018	2017
Tangible capital assets transferred	**$ 1,293,077**	$ -
Accumulated amortization of assets transferred	**471,221**	-
Net tangible capital assets transferred	**821,856**	**-**
Other assets and liabilities transferred	**7,875**	**-**
Total assets and liabilities transferred	**$ 829,731**	$ -

10. Tangible Capital Assets

	2018	2017
Land	**$ 233,148**	$ 236,734
Buildings	**579,374**	582,571
Vehicles	**128**	244
Computer	**33,482**	34,925
Other	**121,934**	118,561
Plants and facilities	**14,463**	29,863
Roads	**1,464,555**	1,379,475
Underground and other networks	**19,260**	823,144
Bridges and other structures	**501,017**	505,198
Assets under construction	**90,953**	72,841
	$ 3,058,314	$ 3,783,556

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

During the year, there were $0.2 million of write-downs of tangible capital assets (2017 - $nil). Administration fees and interim financing charges capitalized during 2018 were $3.8 million (2017 - $3.0 million). In addition, land, roads, parks, recreation facilities and underground networks contributed to the City and recorded in the General Capital Fund totaled $20.8 million in 2018 (2017 - $72.9 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $267.6 million (2017 - $273.6 million) of tangible capital assets that were acquired through service concession arrangements. The amount includes estimated, yet to be determined settlements for land expropriations.

11. Accumulated Surplus

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

12. 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 totaling $1.5 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 totaling $1.8 million annually is to be adjusted by CPI, is payable commencing October 2012 until the termination of the contract with PRW in October 2042.

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General				
	Land	Buildings	Vehicles	Computer	Other
Cost					
Balance, beginning of year	$ 236,734	$ 937,221	$ 14,376	$ 124,572	$ 228,359
Add: Additions during the year	3,247	21,863	-	8,963	21,290
Less: Disposals during the year	5,971	558	3,035	416	237
Less: Transfer to Land Drainage System	862	-	-	4,991	413
Balance, end of year	233,148	958,526	11,341	128,128	248,999
Accumulated amortization					
Balance, beginning of year	-	354,650	14,132	89,647	109,798
Add: Amortization	-	25,035	23	8,405	17,361
Less: Accumulated amortization on disposals	-	533	2,942	416	32
Less: Transfer to Land Drainage System	-	-	-	2,990	62
Balance, end of year	-	379,152	11,213	94,646	127,065
Net Book Value of Tangible Capital Assets	$ 233,148	$ 579,374	$ 128	$ 33,482	$ 121,934

Infrastructure					Totals	
Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	**2018**	2017
$ 39,105	$ 2,576,962	$ 1,285,884	$ 762,088	$ 72,841	**$ 6,278,142**	$ 6,031,103
-	154,357	-	8,025	18,136	**235,881**	258,170
-	3,413	-	-	-	**13,630**	11,131
23,317	-	1,263,470	-	24	**1,293,077**	-
15,788	2,727,906	22,414	770,113	90,953	**5,207,316**	6,278,142
9,242	1,197,487	462,740	256,890	-	**2,494,586**	2,361,324
162	69,063	504	12,206	-	**132,759**	143,111
-	3,199	-	-	-	**7,122**	9,849
8,079	-	460,090	-	-	**471,221**	-
1,325	1,263,351	3,154	269,096	-	**2,149,002**	2,494,586
$ 14,463	$ 1,464,555	$ 19,260	$ 501,017	$ 90,953	**$ 3,058,314**	$ 3,783,556

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)

	2018	2017
TRANSFERS FROM OTHER CITY OF WINNIPEG FUNDS		
Federal Gas Tax Revenue Reserve	**$ 32,625**	$ 29,751
Local Street Renewal Reserve	**29,768**	24,745
Regional Street Renewal Reserve	**25,270**	20,252
Land Operating Reserve	**5,412**	27,494
Municipal Accommodations Fund (Note 7)	**4,722**	4,404
Economic Development Investment Reserve	**3,595**	2,072
Destination Marketing Reserve	**2,182**	2,182
Contributions in Lieu of Land Dedication Reserve	**1,365**	230
Insurance Reserve	**250**	-
Commitment Reserve	**150**	26
Library Trust	**42**	7
Transit System	**-**	443
Computer Replacement Reserve	**-**	306
	$ 105,381	$ 111,912
TRANSFERS TO OTHER CITY OF WINNIPEG FUNDS		
Land Drainage System	**$ 839,171**	-
Transit System	**18,396**	-
Sewage Disposal System	**3,497**	1,127
Waterworks System	**3,088**	121
General Revenue Fund	**1,512**	3,417
Fleet Management	**101**	-
Golf Services	**27**	-
Winnipeg Parking Authority	**3**	60
Sinking Fund	**-**	$ 17,000
	$ 865,795	$ 21,725

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

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

History:

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

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

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

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

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

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

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

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

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

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

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

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE (continued)

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

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

On March 23, 2015, City Council adopted the "Financial Management Plan" which revised the target for the Financial Stabilization Reserve to a minimum of 6% of tax-supported expenditures.

The Chief Financial Officer is the Fund Manager.

FIVE-YEAR REVIEW

December 31
(in thousands of dollars)
(unaudited)

	2018	2017	2016	2015	2014
General Revenue Fund's adopted budget expense	**$ 1,082,088**	$ 1,079,509	$ 1,055,130	$ 994,097	$ 969,184
Equity	**$ 110,961**	$ 79,764	$ 67,410	$ 75,632	$ 81,785
Level (1)	**10.3%**	7.4%	6.4%	7.6%	8.4%
Over target (2)	**$ 46,036**	$ 14,994	$ 4,103	$ 15,986	$ 4,250

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

(2) The residual values for 2013-2014 are based on the Reserve's equity which is over/(under) 8% of the General Revenue Fund's adopted budget expenses. For 2015 onward, the target is 6%.

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

STATEMENT OF FINANCIAL POSITION

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

	2018	2017
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 110,961**	$ 79,764
EQUITY		
Unallocated	**$ 110,961**	$ 79,764

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)

	2018	2017
Balance, beginning of year	**$ 79,764**	$ 67,410
Add:		
Transfer from General Revenue Fund	**19,498**	14,978
Interest earned	**1,264**	660
Transfer from Commitment Reserve	**495**	16
Net realty taxes added to the assessment roll	**10,262**	(169)
	31,519	15,485
Deduct:		
Transfer to General Revenue Fund - investment management fee	**322**	265
Transfer to General Revenue Fund	**-**	2,866
	322	3,131
Balance, end of year	**$ 110,961**	$ 79,764

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
FINANCIAL STABILIZATION RESERVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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.

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

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.

On March 23, 2015, City Council adopted the "Financial Management Plan" which revised the target for the Financial Stabilization Reserve to a minimum of 6% 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, 2018 effective interest rate was 1.70% (2017 - 0.95%).

THE CITY OF WINNIPEG
CAPITAL RESERVES

The City of Winnipeg ("the City") operates fourteen Capital Reserves to account for the use of designated revenue for specific purposes. The fifteen 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 Licence 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 Licence No. 2716 was issued for the South End Water Pollution Control Centre. Effective April 18, 2012, the South End Water Pollution Control Centre Licence 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 licence 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.

On January 1, 2018, based on the December 12, 2017, Council approved 2018 budget recommendation, Brady Landfill Site Rehabilitation was closed and its balance funds was transferred to the new Landfill Rehabilitation Reserve.

The Director of Water and Waste is the Fund Manager.

Landfill Rehabilitation Reserve Fund

On December 12, 2017, Council approved a 2018 budget recommendation that the Brady Landfill Site Rehabilitation be terminated effective January 1, 2018 and replaced with Landfill Rehabilitation Reserve.

This reserve will provide funding, over time, for closure and post-closure landfill needs including leachate management, environmental monitoring and site restoration costs for active and closed landfills maintained under the responsibility of the City.
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 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.

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 Chief Innovation Officer 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. A subsequent agreement was signed September 2, 2014 ensuring funding until 2024.

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 Reserve Fund

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

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

On January 29, 2013, City Council approved that effective January 1, 2014 the reserve be renamed the Southwest Rapid Transit Corridor - Stage 2 Reserve. In addition the purpose 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.

On March 23, 2015 City Council approved that the Reserve be renamed the Southwest Rapid Transit Corridor Reserve.

The Director of Transit is the Fund Manager.

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve

On March 23, 2015 City Council approved the establishment of the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve. The purpose of the Reserve is to set aside funding for the P3 annual service/financing payment commencing in 2020 for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass capital project.

On March 22, 2016 City Council approved an amendment to the funding source to be a combination of the dedicated property tax revenue transferred from the General Revenue fund, an annual transfer of $1.7 million per year from the Transit System Fund starting in 2016 and an annual grant from the Province starting in 2020.

In 2017 the Province advised that the funding formula for the Transit department had changed and the annual grant for this project was eliminated. The funding source for this Reserve has been subsequently revised to be solely the dedicated property tax revenue transferred from the General Revenue fund.

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.

Impact Fee Reserve Fund

On October 26, 2016, Council approved the establishment of the Impact Fee Reserve to fund growth-related capital projects approved by the Chief Financial Officer with consideration to the input provided by the Impact Fee Working Group, as well as to pay the costs of administering the Impact Fee By-law and Reserve Fund. All funds generated by the impact fee are to be deposited into the Reserve. Use of the Impact Fee Reserve for purposes other than those set out in Council's October 26, 2016 resolution require a 2/3 vote of Council.

The Chief Financial Officer is the Fund Manager.

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW

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

	2018	2017	2016	2015	2014
Water Main Renewal Reserve Fund					
Water main renewals funded	**$ 21,049**	$ 19,817	$ 16,081	$ 14,927	$ 16,314
Kilometres of water mains	**2,679**	2,660	2,637	2,614	2,592
Water main repairs	**721**	236	268	317	777
Sewer System Rehabilitation Reserve Fund					
Sewer renewals funded	**$ 13,071**	$ 22,266	$ 25,594	$ 16,331	$ 23,164
Kilometres of sewers	**2,658**	2,640	2,722	2,608	2,583
Kilometres of sewers renewed	**0.23**	0.11	0.23	0.39	0.38
Environmental Projects Reserve Fund					
Transfer from Sewage Disposal System	**$ 23,561**	$ 18,367	$ 16,739	$ 16,838	$ 16,486
Transfer to Sewage Disposal System - capital projects	**$ 12,094**	$ 17,860	$ 6,836	$ 6,761	$ 11,277
Brady Landfill Site Rehabilitation Reserve Fund					
Transfer from Solid Waste Disposal	**$ -**	$ 348	$ 357	$ 175	$ 174
Landfill Rehabilitation Reserve Fund					
Transfer from Solid Waste Disposal	**$ 327**	$ -	$ -	$ -	$ -
Transfer to Solid Waste Disposal	**$ 107**	$ -	$ -	$ -	$ -
Waste Diversion Reserve Fund					
Transfer from Solid Waste Disposal	**$ -**	$ 1,000	$ 4,500	$ 1,000	$ 1,000
Golf Course Reserve Fund					
Equity	**$ -**	$ -	$ 343	$ 453	$ 496
Transit Bus Replacement Reserve Fund					
Transfer (to)/from Transit System, net	**$ (368)**	$ (5,010)	$ 4,690	$ (5,243)	$ 9,521
Number of buses financed	**55**	25	13	45	-

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW (continued)

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

	2018	2017	2016	2015	2014
Computer Replacement Reserve Fund					
Allocation of equity:					
Corporate Support Services	**$ 1,267**	$ 658	$ 186	$ 1,018	$ 1,016
Public Works	**212**	190	123	40	29
Planning, Property and Development	**92**	76	88	79	69
Community Services	**18**	43	78	123	107
	$ 1,589	$ 967	$ 475	$ 1,260	$ 1,221
Federal Gas Tax Revenue Reserve Fund					
Government of Canada funding	**$ 32,625**	$ 38,959	$ 39,840	$ 47,452	$ 41,014
Transfer to General Capital Fund	**$ 32,625**	$ 29,751	$ 36,323	$ 41,690	$ 39,952
Transfer to Transit System - capital projects	**$ -**	$ 9,208	$ 3,517	$ 5,762	$ 1,062
Southwest Rapid Transit Corridor Reserve Fund					
Transfer (to)/from Transit System, net	**$ (815)**	$ -	$ (523)	$ (4,200)	$ -
Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve Fund					
Transfer from/(to) Transit System, net	**$ 5,235**	$ 3,303	$ 1,700	$ -	$ -
Local Street Renewal Reserve Fund					
Transfer from General Revenue Fund	**$ 29,770**	$ 24,370	$ 19,000	$ 14,100	$ 9,200
Transfer to General Capital Fund	**$ 28,298**	$ 23,278	$ 18,375	$ 12,663	$ 8,211
Regional Street Renewal Reserve Fund					
Transfer from General Revenue Fund	**$ 25,270**	$ 19,870	$ 14,500	$ 9,600	$ 4,700
Transfer to General Capital Fund	**$ 23,938**	$ 18,937	$ 13,405	$ 8,519	$ 4,325
Impact Fee Reserve					
Impact Fees collected	**$ 12,443**	$ 4,097	$ -	$ -	$ -

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)	$ 258	$ 6,496	$ 106,383	$ -
Call loans - General Revenue Fund (Note 4)	-	-	-	-
Accounts receivable	-	-	-	-
	258	6,496	106,383	-
Investments (Note 5)	-	-	-	-
	$ 258	$ 6,496	$ 106,383	$ -
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Deferred revenue	-	-	-	-
Debt	-	-	-	-
	-	-	-	-
EQUITY				
Allocated	258	6,496	106,383	-
Unallocated	-	-	-	-
	258	6,496	106,383	-
	$ 258	$ 6,496	$ 106,383	$ -

See accompanying notes to the financial statements

	Landfill Rehabilitation Reserve	Waste Diversion Reserve	Golf Course Reserve	Transit Bus Replacement Reserve	Computer Replacement Reserve	Sub-total
	$ 2,810	$ 5,188	$ -	$ 11,026	$ 1,589	$ 133,750
	221	-	-	-	-	221
	53	-	-	-	-	53
	3,084	5,188	-	11,026	1,589	134,024
	4,704	-	-	-	-	4,704
	$ 7,788	$ 5,188	$ -	$ 11,026	$ 1,589	$ 138,728
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	7,788	5,188	-	10,356	1,589	138,058
	-	-	-	670	-	670
	7,788	5,188	-	11,026	1,589	138,728
	$ 7,788	$ 5,188	$ -	$ 11,026	$ 1,589	$ 138,728

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-total Brought Forward	Federal Gas Tax Reserve	SWRT Corridor Reserve	SWRT Payment Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ 133,750	$ 32,349	$ 2,144	$ 10,325
Call loans - General Revenue Fund (Note 4)	221	-	-	-
Accounts receivable	53	-	-	-
	134,024	32,349	2,144	10,325
Investments (Note 5)	4,704	-	-	-
	$ 138,728	$ 32,349	$ 2,144	$ 10,325
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Deferred revenue	-	31,858	-	-
Debt	-	-	-	-
	-	31,858	-	-
EQUITY				
Allocated	138,058	-	535	10,325
Unallocated	670	491	1,609	-
	138,728	491	2,144	10,325
	$ 138,728	$ 32,349	$ 2,144	$ 10,325

See accompanying notes to the financial statements

Local Street Renewal Reserve	Regional Street Renewal Reserve	Impact Fee Reserve	Totals 2018	Totals 2017
$ 184	$ 194	$ 16,702	$ 195,648	$ 159,269
-	-	-	221	257
-	-	-	53	53
184	194	16,702	195,922	159,579
-	-	-	4,704	4,533
$ 184	$ 194	$ 16,702	$ 200,626	$ 164,112
$ 86	$ 76	$ -	$ 162	$ 162
-	-	-	31,858	20,539
-	-	-	-	-
86	76	-	32,020	20,701
98	118	-	149,134	137,468
-	-	16,702	19,472	5,943
98	118	16,702	168,606	143,411
$ 184	$ 194	$ 16,702	$ 200,626	$ 164,112

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Water Main Renewal Reserve	Sewer System Rehabilitation Reserve	Environmental Projects Reserve	Brady Landfill Reserve
Balance, beginning of year	**$ 2,279**	**$ 6,546**	**$ 93,934**	**$ 7,421**
Add:				
Government of Canada transfers	**-**	**-**	**-**	**-**
Transfer from Sewage Disposal System	**-**	**13,000**	**23,561**	**-**
Transfer from Waterworks System	**19,000**	**-**	**-**	**-**
Transfer from Transit System	**-**	**-**	**-**	**-**
Interest earned	**40**	**33**	**1,377**	**-**
Transfer from General Revenue Fund	**-**	**-**	**-**	**-**
Transfer from Solid Waste Disposal	**-**	**-**	**-**	**-**
Transfer from Municipal Accommodations	**-**	**-**	**-**	**-**
Transfer from Golf Services SOA	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
	19,040	**13,033**	**24,938**	**-**
Deduct:				
Transfer to General Capital Fund	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund	**-**	**-**	**-**	**-**
Transfer to Transit System	**-**	**-**	**-**	**-**
Transfer to Sewage Disposal System	**-**	**13,071**	**12,094**	**-**
Transfer to Waterworks System	**21,049**	**-**	**-**	**-**
Purchase of equipment	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**12**	**12**	**395**	**-**
Transfer to General Capital Fund - principal and interest	**-**	**-**	**-**	**-**
Transfer to Solid Waste Disposal	**-**	**-**	**-**	**-**
Transfer to Golf Services SOA	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**7,421**
	21,061	**13,083**	**12,489**	**7,421**
Balance, end of year	**$ 258**	**$ 6,496**	**$ 106,383**	**$ -**

See accompanying notes to the financial statements

Landfill Rehabilitation Reserve	Waste Diversion Reserve	Golf Course Reserve	Transit Bus Replacement Reserve	Computer Replacement Reserve	Federal Gas Tax Reserve	Sub-total
$ -	**$ 7,202**	**$ -**	**$ 11,281**	**$ 967**	**$ 235**	**$ 129,865**
-	-	-	-	-	32,625	32,625
-	-	-	-	-	-	36,561
-	-	-	-	-	-	19,000
-	-	-	1,959	-	-	1,959
180	78	-	159	16	257	2,140
-	-	-	-	783	-	783
327	-	-	-	-	-	327
-	-	-	-	80	-	80
-	-	-	-	-	-	-
7,421	-	-	-	-	-	7,421
7,928	78	-	2,118	879	32,882	100,896
-	-	-	-	-	32,625	32,625
-	-	-	-	-	-	-
-	-	-	2,327	-	-	2,327
-	-	-	-	-	-	25,165
-	-	-	-	-	-	21,049
-	-	-	-	252	-	252
33	23	-	46	5	-	526
-	-	-	-	-	-	-
107	2,069	-	-	-	-	2,176
-	-	-	-	-	-	-
-	-	-	-	-	1	7,422
140	2,092	-	2,373	257	32,626	91,542
$ 7,788	**$ 5,188**	**$ -**	**$ 11,026**	**$ 1,589**	**$ 491**	**$ 139,219**

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 Corridor Reserve	SWRT Payment Reserve	Local Street Renewal Reserve
Balance, beginning of year	$ 129,865	$ 4,220	$ 5,016	$ 94
Add:				
Government of Canada transfers	32,625	-	-	-
Transfer from Sewage Disposal System	36,561	-	-	-
Transfer from Waterworks System	19,000	-	-	-
Transfer from Transit System	1,959	-	5,300	-
Interest earned	2,140	55	102	5
Transfer from General Revenue Fund	783	-	-	29,770
Transfer from Solid Waste Disposal	327	-	-	-
Transfer from Municipal Accommodations	80	-	-	-
Transfer from Golf Services SOA	-	-	-	-
Other	7,421	-	-	-
	100,896	55	5,402	29,775
Deduct:				
Transfer to General Capital Fund	32,625	-	-	28,298
Transfer to General Revenue Fund	-	1,300	-	-
Transfer to Transit System	2,327	815	65	-
Transfer to Sewage Disposal System	25,165	-	-	-
Transfer to Waterworks System	21,049	-	-	-
Purchase of equipment	252	-	-	-
Transfer to General Revenue Fund - investment management fee	526	16	28	1
Transfer to General Capital Fund - principal and interest	-	-	-	1,470
Transfer to Solid Waste Disposal	2,176	-	-	-
Transfer to Golf Services SOA	-	-	-	-
Other	7,422	-	-	2
	91,542	2,131	93	29,771
	-			
Balance, end of year	$ 139,219	$ 2,144	$ 10,325	$ 98

See accompanying notes to the financial statements

Regional Street Renewal Reserve	Impact Fee Reserve	Totals 2018	Totals 2017
$ 114	**$ 4,102**	**$ 143,411**	$ 145,969
-	**-**	**32,625**	38,959
-	**-**	**36,561**	37,367
-	**-**	**19,000**	16,500
-	**-**	**7,259**	3,560
5	**157**	**2,464**	1,094
25,270	**-**	**55,823**	45,218
-	**-**	**327**	1,348
-	**-**	**80**	19
-	**-**	**-**	-
-	**12,443**	**19,864**	4,435
25,275	**12,600**	**174,003**	148,500
23,938	**-**	**84,861**	71,967
-	**-**	**1,300**	-
-	**-**	**3,207**	14,475
-	**-**	**25,165**	40,125
-	**-**	**21,049**	19,817
-	**-**	**252**	202
1	**-**	**572**	614
1,332	**-**	**2,802**	3,087
-	**-**	**2,176**	426
-	**-**	**-**	344
-	**-**	**7,424**	1
25,271	**-**	**148,808**	151,058
$ 118	**$ 16,702**	**$ 168,606**	$ 143,411

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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
Landfill Rehabilitation Reserve Fund
Waste Diversion Reserve Fund
Golf Course Reserve Fund
Transit Bus Replacement Reserve Fund
Impact Fee Reserve Fund
Computer Replacement Reserve Fund
Federal Gas Tax Revenue Reserve Fund
Southwest Rapid Transit Corridor Reserve Fund
Southwest Rapid Transitway (Stage 2) and Pembina Hwy Underpass Pmt 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 received are recognized in the fund financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City's behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

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 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 2018 sewer rate includes a provision of 0.4000 cents (2017 - 0.3100 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 $1.00 (2017 - 1 dollar) per tonne for each tonne disposed at the Brady Road Landfill to fund this transfer.

On January 1, 2018, based on Council approved 2018 budget recommendation, Brady Landfill Site Rehabilitation was closed and its balance funds was transferred to the new Landfill Rehabilitation Reserve.

The Director of Water and Waste is the Fund Manager.

Landfill Rehabilitation Reserve Fund

On December 12, 2017, Council approved a 2018 budget recommendation that the Brady Landfill Site Rehabilitation be terminated effective January 1, 2018 and replaced with Landfill Rehabilitation Reserve.

This reserve will provide funding, over time, for closure and post-closure landfill needs including leachate management, environmental monitoring and site restoration costs for active and closed landfills maintained under the responsibility of the City.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund based on tonnages processed at the landfill. The landfill tipping fee includes a provision $1.00 per tonne for each tonne disposed at the Brady Landfill to fund the new reserve.

The Director of Water and Waste is the Fund Manager.

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

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.

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 Chief Innovation Officer 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.

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

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 Reserve Fund

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

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

On January 29, 2013, City Council approved that effective January 1, 2014 the reserve be renamed the Southwest Rapid Transit Corridor - Stage 2 Reserve. In addition the purpose 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.

On March 23, 2015 City Council approved that the Reserve be renamed the Southwest Rapid Transit Corridor Reserve.

The Director of Transit is the Fund Manager.

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve Fund

On March 23, 2015 City Council approved the establishment of the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve. The purpose of the Reserve is to set aside funding for the P3 annual service/financing payment commencing in 2020 for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass capital project.

On March 22, 2016 City Council approved an amendment to the funding source to be a combination of the dedicated property tax revenue transferred from the General Revenue fund, an annual transfer of $1.7 million per year from the Transit System Fund starting in 2016 and an annual grant from the Province starting in 2020.

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

In 2017 the Province advised that the funding formula for the Transit department had changed and the annual grant for this project was eliminated. The funding source for this Reserve has been subsequently revised to be solely the dedicated property tax revenue transferred from the General Revenue fund.

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.

Impact Fee Reserve Fund

On October 26, 2016, Council approved the establishment of the Impact Fee Reserve to fund growth-related capital projects approved by the Chief Financial Officer with consideration to the input provided by the Impact Fee Working Group, as well as to pay the costs of administering the Impact Fee By-law and Reserve Fund. All funds generated by the impact fee are to be deposited into the Reserve. Use of the Impact Fee Reserve for purposes other than those set out in Council's October 26, 2016 resolution require a 2/3 vote of Council.

The Chief Financial Officer 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, 2018 effective interest rate was 1.70% (2017 - 0.95%).

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*

	2018	2017
Marketable securities		
Municipal bonds	**$ 4,704**	$ 4,533

The aggregate market value of marketable securities at December 31, 2018 was $4,565 thousand (2017- $4,626 thousand).

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.

On April 29, 2015, Council approved an amendment to the purpose of the Workers Compensation Reserve
1) to include Permanent Partial Impairment awards for occupational disease claims and
2) that pension surplus/deficit from Workers Compensation Board be accounted for in the Workers Compensation Reserve.

The Corporate Controller is the Fund Manager.

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

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

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

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

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

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

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

Insurance Reserve Fund

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

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

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

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

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

Land Operating Reserve Fund

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

On February 22, 2012, City Council adopted that 15% of gross land sales for the fiscal year two years prior to the budget year under consideration, to a maximum of $1.2 million, be transferred to the General Capital Fund for an annual Community Centre Renovation Grant Program (of up to $965,000) and to the General Community Centres (of up to $235,000), subject to Council approval. Any surplus of funds greater than the amount required for the purposes of the Land Operating Reserve 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 was 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 budgeted transfer from the General Revenue Fund to $351,800 annually beginning in 2014 (from $490,000 in 2013) with adjustments made during the year depending on the actual cost of the extended season.

December 31, 2016 Council adopted the Wading and Outdoor Pool Extended Season Reserve be dissolved effective January 1, 2017.

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.

On October 28, 2015, City Council approved an amendment to the Councillors' Ward Allowance (CWA) Policy, Year end section on page 6, to include the following: "Any expenses not charged to the current year's CWA should be charged to the carry over fund established by the Ward Councillor, wherever possible, and that the carry over funds be established as a permitted use in the general purpose reserve."

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 was capped at $3.0 million and any surplus funds over and above the cap were 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 General Revenue Fund, reported in the Planning, Property and Development Department.

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)

	2018	2017	2016	2015	2014
Workers Compensation Reserve Fund					
Call loans - General Revenue Fund	**$ 1,160**	$ 1,844	$ 5,081	$ 736	$ 1,133
Investments	**$ 2,003**	$ 3,008	$ -	$ 4,001	$ 4,052
Interest earned	**$ 72**	$ 28	$ 25	$ 61	$ 66
Brookside Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 482**	$ 788	$ 749	$ 13	$ 237
Investments	**$ 16,586**	$ 15,878	$ 15,509	$ 15,561	$ 14,590
Interest earned	**$ 670**	$ 650	$ 645	$ 644	$ 624
St. Vital Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 169**	$ 127	$ 97	$ 60	$ 60
Investments	**$ 1,046**	$ 1,046	$ 1046	$ 1046	$ 800
Interest earned	**$ 36**	$ 34	$ 34	$ 33	$ 33
Transcona Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 152**	$ 122	$ 95	$ 76	$ 43
Investments	**$ 697**	$ 697	$ 697	$ 696	$ 565
Interest earned	**$ 25**	$ 24	$ 23	$ 23	$ 25
Insurance Reserve Fund					
Call loans - General Revenue Fund	**$ 4,705**	**$** 3,560	$ 3,646	$ 428	$ 2,328
Investments	**$ 1,002**	**$** 2,003	$ -	$ 1,000	$ 5,064
Interest earned	**$ 81**	**$** 28	$ 7	$ 60	$ 94
Contributions in Lieu of Land Dedication Reserve Fund					
Cash dedications revenue	**$ 1,501**	$ 5,055	$ 1,219	$ 697	$ 3,464
Interest earned	**$ 143**	$ 66	$ 34	$ 42	$ 64
Park improvement expenses	**$ 3,076**	$ 1,233	$ 315	$ 919	$ 1,363
Land Operating Reserve Fund					
Number of properties sold	**20**	27	31	28	47
Number acquired - tax sale	**21**	29	11	13	5
Number exchanged	**2**	5	2	-	1
Wading and Outdoor Pool Extended Season Reserve Fund					
Transfer from General Revenue Fund	**$ -**	$ -	$ 487	$ 405	$ 352
Total expenses	**$ -**	$ -	$ 488	$ 469	$ 291

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

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

	2018	2017	2016	2015	2014
Snow Clearing Reserve Fund					
Transfer (to)/from					
General Revenue Fund	**$ -**	$ -	$ -	$ -	$ -
Commitment Reserve Fund					
Allocation of equity:					
Corporate and other	**$ 2,443**	$ 2,462	$ 1,130	$ 368	$ 171
Planning, Property and Development	**249**	802	-	100	499
Community Services	**50**	465	89	455	22
Police Service	**-**	-	249	3,082	2,467
Corporate Support Services	**440**	379	-	-	-
Fire Paramedic Services	**300**	200	200	120	246
Public Works	**178**	21	120	560	334
	$ 3,660	$ 4,329	$ 1,788	$ 4,685	$ 3,739
Heritage Investment Reserve Fund					
Municipal realty tax revenue	**$ 769**	$ 817	$ 804	$ 780	$ 646
Housing Rehabilitation Investment Reserve Fund					
Grant expense	**$ 11,305**	$ 9,945	**$** 6,640	$ 4,541	$ 7,534
Economic Development Investment Reserve Fund					
Municipal realty tax revenue	**$ 4,859**	$ 3,210	$ 2,442	$ 2,402	$ 2,003
General Purpose Reserve Fund					
Net transfer from (to) General Revenue Fund	**$ 110**	**$** 88	$ (16,212)	$ 15,502	$ (2,279)
Interest earned	**$** 1	**$** -	$ 40	$ 3	$ 17
Multiple-Family Dwelling Tax Investment Reserve Fund					
Municipal realty tax revenue	**$ -**	$ -	$ 1,919	$ 854	$ -
Interest earned	**$ 42**	$ 31	$ 24	$ 32	$ 61
Insect Control Urgent Expenditures Reserve Fund					
Net transfer from (to) General Revenue Fund	**$ -**	**$** 772	$ (427)	$ 647	$ (1,008)

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

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

	2018	2017	2016	2015	2014
Permit Reserve Fund					
Net transfer (to) from					
General Revenue Fund	**$ (635)**	$ 41	$ 489	$ 651	$ (1,000)
Destination Marketing Reserve Fund					
Accommodation tax revenue	**$ 9,977**	$ 9,856	$ 10,165	$ 9,017	$ 7,855
Grants expense:					
Economic Development Winnipeg Inc.	**$ 4,548**	$ 4,356	$ 3,794	$ 2,993	$ 2,560
The Convention Centre Corporation Inc.	**1,500**	1,500	1,500	-	-
	$ 6,048	$ 5,856	$ 5,294	$ 2,993	$ 2,560

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Sub-Total
ASSETS				
Current				
Due from (to) General Revenue Fund (Note 3)	$ -	$ -	$ -	$ -
Call loans - General Revenue Fund (Note 4)	1,160	482	169	1,811
Accounts receivable	10	142	9	161
Land held for resale	-	-	-	-
	1,170	624	178	1,972
Investments (Note 5)	2,003	16,586	1,046	19,635
Investments in government business (Note 6)	-	-	-	-
Land	-	-	-	-
Deferred charges	-	-	-	-
	$ 3,173	$ 17,210	$ 1,224	$ 21,607
LIABILITIES				
Current				
Accounts payable	$ -	$ -	$ -	$ -
Deferred Revenue	-	-	-	-
Due to Winnipeg Parking Authority - SOA	-	-	-	-
	-	-	-	-
EQUITY				
Contributed surplus (Note 7)	-	-	-	-
Allocated	-	-	-	-
Unallocated	3,173	17,210	1,224	21,607
	3,173	17,210	1,224	21,607
	$ 3,173	$ 17,210	$ 1,224	$ 21,607

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 (to) General Revenue Fund (Note 3)	$ -	$ -	$ -	$ 8,799
Call loans - General Revenue Fund (Note 4)	1,811	152	4,705	-
Accounts receivable	161	5	6	-
Land held for resale	-	-	-	-
	1,972	157	4,711	8,799
Investments (Note 5)	19,635	697	1,002	-
Investments in government business (Note 6)	-	-	-	-
Land	-	-	-	-
Deferred charges	-	-	-	-
	$ 21,607	$ 854	$ 5,713	$ 8,799
LIABILITIES				
Current				
Accounts payable	$ -	$ -	$ 955	$ 36
Deferred Revenue	-	-	-	-
Due to Winnipeg Parking Authority - SOA	-	-	-	-
	-	-	955	36
EQUITY				
Contributed surplus (Note 7)	-	-	-	-
Allocated	-	-	-	-
Unallocated	21,607	854	4,758	8,763
	21,607	854	4,758	8,763
	$ 21,607	$ 854	$ 5,713	$ 8,799

See accompanying notes to the financial statements

Land Operating Reserve	Wading & Outdoor Pool Extended Season Reserve	Snow Clearing Reserve	Commitment Reserve	Heritage Investment Reserve	Housing Rehabilitation Reserve	Sub-Total
$ 5,206	$ -	$ -	$ 3,660	$ 2,778	$ 6,088	$ 26,531
-	-	-	-	-	-	6,668
1,150	-	-	-	284	-	1,606
2,728	-	-	-	-	-	2,728
9,084	-	-	3,660	3,062	6,088	37,533
(234)	-	-	-	-	-	21,100
6,177	-	-	-	-	-	6,177
9,829	-	-	-	-	-	9,829
103	-	-	-	-	-	103
$ 24,959	$ -	$ -	$ 3,660	$ 3,062	$ 6,088	$ 74,742
$ 3,374	$ -	$ -	$ 12	$ 3,000	$ -	$ 7,377
-	-	-	-	-	2,954	2,954
4,405	-	-	-	-	-	4,405
7,779	-	-	12	3,000	2,954	14,736
8,425	-	-	-	-	-	8,425
1,891	-	-	-	875	-	2,766
6,864	-	-	3,648	(813)	3,134	48,815
8,755	-	-	3,648	62	3,134	51,581
$ 24,959	$ -	$ -	$ 3,660	$ 3,062	$ 6,088	$ 74,742

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 (to) General Revenue Fund (Note 3)	$ 26,531	$ 2,691	$ 173	$ 1,504
Call loans - General Revenue Fund (Note 4)	6,668	-	-	-
Accounts receivable	1,606	-	-	-
Land held for resale	2,728	-	-	-
	37,533	2,691	173	1,504
Investments (Note 5)	21,100	-	-	-
Investments in government business (Note 6)	6,177	-	-	-
Land	9,829	-	-	-
Deferred charges	103	-	-	-
	$ 74,742	$ 2,691	$ 173	$ 1,504
LIABILITIES				
Current				
Accounts payable	$ 7,377	$ 209	$ -	$ 35
Deferred Revenue	2,954	-	-	-
Due to Winnipeg Parking Authority - SOA	4,405	-	-	-
	14,736	209	-	35
EQUITY				
Contributed surplus (Note 7)	8,425	-	-	-
Allocated	2,766	-	-	-
Unallocated	48,815	2,482	173	1,469
	51,581	2,482	173	1,469
	$ 74,742	$ 2,691	$ 173	$ 1,504

See accompanying notes to the financial statements

Insect Control Reserve	Permit Reserve	Destination Marketing Reserve	Totals 2018	Totals 2017
$ 3,000	$ 1,376	$ 14,235	$ 49,510	$ 51,046
-	-	-	6,668	6,441
-	-	725	2,331	7,924
-	-	-	2,728	1,155
3,000	1,376	14,960	61,237	66,566
-	-	-	21,100	22,773
-	-	-	6,177	4,606
-	-	-	9,829	10,459
-	-	-	103	64
$ 3,000	$ 1,376	$ 14,960	$ 98,446	$ 104,468
$ -	$ -	$ 126	$ 7,747	$ 7,047
-	-	-	2,954	377
-	-	-	4,405	9,405
-	-	126	15,106	16,829
-	-	-	8,425	8,425
-	-	14,834	17,600	18,446
3,000	1,376	-	57,315	60,768
3,000	1,376	14,834	74,915	79,214
$ 3,000	$ 1,376	$ 14,960	$ 98,446	$ 104,468

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	$ 4,886	$ 16,811	$ 1,182	$ 824
Add:				
Transfer from General Revenue Fund	-	99	26	20
Transfer from Municipal Accommodations	-	-	-	-
Other (Note 6)	1,814	-	-	-
Accommodation tax	-	-	-	-
Land sales	-	-	-	-
Municipal realty tax	-	-	-	-
Interest earned	72	670	36	24
Cash payments-in-lieu of land dedication	-	-	-	-
Transfer from Transit System Fund	-	-	-	-
Transfer from Land Operating Reserve	-	-	-	-
Transfer from General Revenue Enterprise Fund	-	-	-	-
Transfer from Winnipeg Parking - SOA	-	-	-	-
	1,886	769	62	44
Deduct:				
Transfer to General Revenue Fund	3,000	301	14	9
Grants	-	-	-	-
Transfer to General Capital Fund	-	-	-	-
Other	581	-	-	-
Cost of sales	-	-	-	-
Transfer to Municipal Accommodations Fund	-	-	-	-
Transfer to Contributions in Lieu of Land Dedication Reserve	-	-	-	-
Transfer to General Revenue Fund - investment management fee	18	69	6	5
Transfer to Financial Stabilization Reserve	-	-	-	-
Transfer to Fleet Management - SOA	-	-	-	-
Transfer to Golf Services - SOA	-	-	-	-
Transfer to Transit	-	-	-	-
Transfer to Heritage Reserve	-	-	-	-
	3,599	370	20	14
Balance, end of year	$ 3,173	$ 17,210	$ 1,224	$ 854

See accompanying notes to the financial statements

Insurance Reserve	Land Dedication Reserve	Land Operating Reserve	Wading & Outdoor Pool Extended Season Reserve	Snow Clearing Reserve	Sub-Total
$ 4,626	$ 10,310	$ 2,515	$ -	$ -	$ 41,154
841	-	-	-	-	986
-	-	-	-	-	-
-	-	2,812	-	-	4,626
-	-	-	-	-	-
-	-	8,078	-	-	8,078
-	-	133	-	-	133
81	143	24	-	-	1,050
-	1,501	-	-	-	1,501
135	-	-	-	-	135
-	137	-	-	-	137
-	-	-	-	-	-
14	-	5,000	-	-	5,014
1,071	1,781	16,047	-	-	21,660
-	-	2,535	-	-	5,859
-	-	-	-	-	-
250	1,365	5,412	-	-	7,027
346	1,922	747	-	-	3,596
-	-	572	-	-	572
283	-	-	-	-	283
-	-	137	-	-	137
24	41	3	-	-	166
-	-	-	-	-	-
-	-	-	-	-	-
3	-	-	-	-	3
33	-	-	-	-	33
-	-	401	-	-	401
939	3,328	9,807	-	-	18,077
$ 4,758	$ 8,763	$ 8,755	$ -	$ -	$ 44,737

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	$ 41,154	$ 4,329	$ 1,935	$ 7,170
Add:				
Transfer from General Revenue Fund	986	1,258	-	1,000
Transfer from Municipal Accommodations	-	236	-	-
Other (Note 6)	4,626	-	-	6,894
Accommodation tax	-	-	-	-
Land sales	8,078	-	-	-
Municipal realty tax	133	-	769	-
Interest earned	1,050	-	45	85
Cash payments-in-lieu of land dedication	1,501	-	-	-
Transfer from Transit System Fund	135	-	-	-
Transfer from Land Operating Reserve	137	-	401	-
Transfer from General Revenue Enterprise Fund	-	-	-	-
Transfer from Winnipeg Parking - SOA	5,014	-	-	-
	21,660	1,494	1,215	7,979
Deduct:				
Transfer to General Revenue Fund	5,859	-	-	686
Grants	-	-	1,976	11,304
Transfer to General Capital Fund	7,027	150	-	-
Other	3,596	1,530	1,101	-
Cost of sales	572	-	-	-
Transfer to Municipal Accommodations Fund	283	-	-	-
Transfer to Contributions in Lieu of Land Dedication Reserve	137	-	-	-
Transfer to General Revenue Fund - investment management fee	166	-	11	25
Transfer to Financial Stabilization Reserve	-	495	-	-
Transfer to Fleet Management - SOA	-	-	-	-
Transfer to Golf Services - SOA	3	-	-	-
Transfer to Transit	33	-	-	-
Transfer to Heritage Reserve	401	-	-	-
	18,077	2,175	3,088	12,015
Balance, end of year	$ 44,737	$ 3,648	$ 62	$ 3,134

See accompanying notes to the financial statements

Economic Development Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Insect Control Reserve	Permit Reserve	Sub-Total
$ 1,756	$ 150	$ 3,572	$ 3,000	$ 2,000	$ 65,066
-	110	-	1,941	365	5,660
-	-	-	-	-	236
24	-	869	-	-	12,413
-	-	-	-	-	-
-	-	-	-	-	8,078
4,859	-	-	-	-	5,761
60	1	42	36	16	1,335
-	-	-	-	-	1,501
-	-	-	-	-	135
-	-	-	-	-	538
-	-	-	-	-	-
-	-	-	-	-	5,014
4,943	111	911	1,977	381	40,671
-	-	-	1,966	1,000	9,511
605	-	3,002	-	-	16,887
3,595	-	-	-	-	10,772
-	88	-	-	-	6,315
-	-	-	-	-	572
-	-	-	-	-	283
-	-	-	-	-	137
17	-	12	11	5	247
-	-	-	-	-	495
-	-	-	-	-	-
-	-	-	-	-	3
-	-	-	-	-	33
-	-	-		-	401
4,217	88	3,014	1,977	1,005	45,656
$ 2,482	$ 173	$ 1,469	$ 3,000	$ 1,376	$ 60,081

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 2018**	Totals 2017
Balance, beginning of year	**$ 65,066**	**$ 14,148**	**$ 79,214**	$ 86,167
Add:				
Transfer from General Revenue Fund	**5,660**	**-**	**5,660**	7,439
Transfer from Municipal Accommodations	**236**	**-**	**236**	672
Other (Note 6)	**12,413**	**-**	**12,413**	17,907
Accommodation tax	**-**	**9,977**	**9,977**	9,856
Land sales	**8,078**	**-**	**8,078**	15,550
Municipal realty tax	**5,761**	**-**	**5,761**	4,124
Interest earned	**1,335**	**176**	**1,511**	1,212
Cash payments-in-lieu of land dedication	**1,501**	**-**	**1,501**	5,055
Transfer from Transit System Fund	**135**	**-**	**135**	-
Transfer from Land Operating Reserve	**538**	**-**	**538**	890
Transfer from General Revenue Enterprise Fund	**-**	**-**	**-**	-
Transfer from Winnipeg Parking - SOA	**5,014**	**-**	**5,014**	-
	40,671	**10,153**	**50,824**	62,705
Deduct:				
Transfer to General Revenue Fund	**9,511**	**100**	**9,611**	4,338
Grants	**16,887**	**6,048**	**22,935**	21,453
Transfer to General Capital Fund	**10,772**	**2,182**	**12,954**	32,004
Other	**6,315**	**1,086**	**7,401**	4,838
Cost of sales	**572**	**-**	**572**	5,717
Transfer to Municipal Accommodations Fund	**283**	**-**	**283**	12
Transfer to Contributions in Lieu of Land Dedication Reserve	**137**	**-**	**137**	41
Transfer to General Revenue Fund - investment management fee	**247**	**51**	**298**	330
Transfer to Financial Stabilization Reserve	**495**	**-**	**495**	16
Transfer to Fleet Management - SOA	**-**	**-**	**-**	-
Transfer to Golf Services - SOA	**3**	**-**	**3**	34
Transfer to Transit	**33**	**-**	**33**	26
Transfer to Heritage Reserve	**401**	**-**	**401**	849
	45,656	**9,467**	**55,123**	69,658
Balance, end of year	**$ 60,081**	**$ 14,834**	**$ 74,915**	$ 79,214

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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. and Park City Commons 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, a fund was created 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 Gail Parvin Hammerquist Fund (Heritage Investment Reserve), 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 lan On February 22. 2012, City Council adopted that 15% of gross land sales for the fiscal year two years prior to the budget year under consideration, to a maximum of $1.2 million, be transferred to the General Capital Fund for an annual Community Centre Renovation Grant Program (of up to $965,000) and to the General Community Centres (of up to $235,000), subject to Council approval. Any surplus of funds greater than the amount required for the purposes of the Land Operating Reserve 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.

December 31, 2016 Council adopted the Wading and Outdoor Pool Extended Season Reserve be dissolved effective January 1, 2017.

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.

On October 28, 2015, City Council approved an amendment to the Councillors' Ward Allowance (CWA) Policy, Year end section on page 6, to include the following: "Any expenses not charged to the current year's CWA should be charged to the carry over fund established by the Ward Councillor, wherever possible, and that the carry over funds be established as a permitted use in the general purpose reserve."

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.

On September 12, 2018, City Council approved the revised funding allocation for the Destination Marketing Reserve Fund as follows:

- A grant to Economic Development Winnipeg Inc. equal to the greater of $2.0 million or 35% of annual accommodation tax revenue;
- A grant of $1.5 million annually to The Winnipeg Convention Centre Corporation;
- Up to 37.5% of the annual accommodation tax revenue to be set aside within the Reserve to fund future capital works for the Winnipeg Convention Centre;
- That the Destination a Marketing Reserve Fund is to fund any expenses incurred in the General Revenue Fund to administer the accommodation; and
- The remainder of the funds, net of the above, paid to Economic Development Winnipeg Inc. for the Special Event Marketing Fund.

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, 2018 effective interest rate was 1.70% (2017 - 0.95%).

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

	2018	2017
Marketable securities		
Municipal bonds	**$ 17,638**	$ 16,928
Bank and trust companies	**3,003**	5,011
Provincial bonds and bond coupons	**693**	693
	21,334	22,632
Other	**(234)**	141
	$ 21,100	$ 22,773

The aggregate market value of marketable securities at December 31, 2018 was $22,472 thousand (2017 - $24,686 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 2018 of $26 thousand (2017 - $1,431 thousand) are included in the Statement of Changes in Equity as other revenue.

Park City Commons

On February 17, 2016 the City and EdgeCorp Developments Ltd. entered into an agreement to form Park City Commons joint venture to develop and sell certain land owned by the participants in the community of Transcona.

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.

8. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

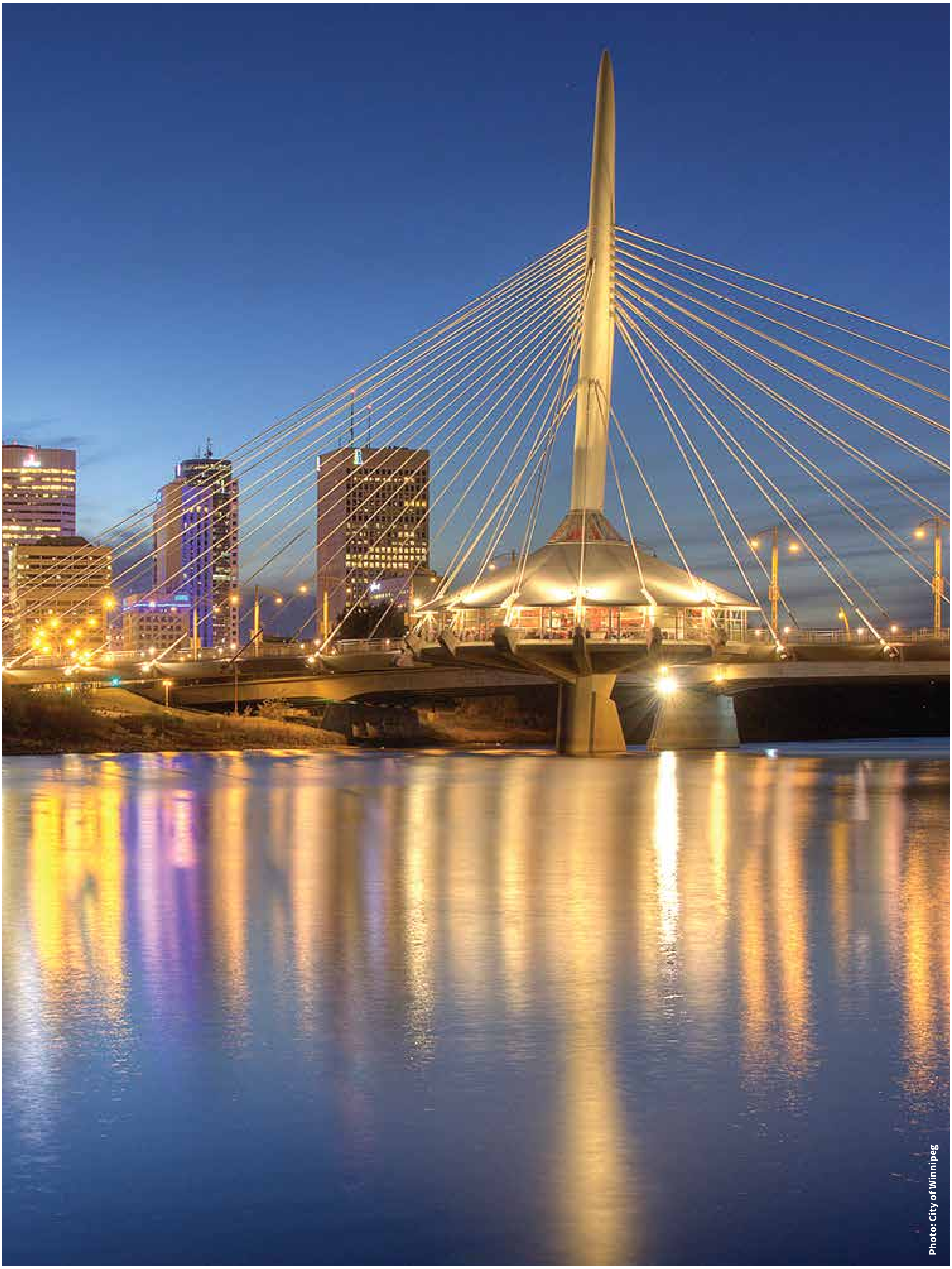
Photo: City of Winnipeg

THE CITY OF WINNIPEG
TRUST FUNDS

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

	Library Trust	Portage and Main Concourse Trust	2018 Totals	2017 Totals
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 224,356**	**$ 1**	**$ 224,357**	$ 219,008
EQUITY				
Unallocated	**$ 224,356**	**$ 1**	**$ 224,357**	$ 219,008

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	2018 Totals	2017 Totals
Opening balance	**$ 217,299**	**$ 1,709**	**$ 219,008**	$ 213,670
Add:				
Contributions	**119,386**	**-**	**119,386**	155,911
Interest earned	**3,086**	**11**	**3,097**	1,539
	122,472	**11**	**122,483**	157,450
Deduct:				
Disbursements	**115,414**	**1,719**	**117,133**	152,112
Closing balance	**$ 224,357**	**$ 1**	**$ 224,358**	$ 219,008

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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, 2018 effective interest rate was 1.70% (2017 - 0.95%).

Photo: Mike Peters, courtesy Tourism Winnipeg

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF FINANCIAL POSITION

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

	2018	2017
ASSETS		
Current		
Due from General Revenue Fund (Note 2)	**$ 136**	$ 134
Investment (Note 3)	**1,148**	1,148
	$ 1,284	$ 1,282
RETAINED EARNINGS	**$ 1,284**	$ 1,282

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)

	2018	2017
REVENUES		
Interest	**$ 2**	$ -
Net earnings for the year	**2**	**-**
RETAINED EARNINGS, BEGINNING OF YEAR	**1,282**	1,282
RETAINED EARNINGS, END OF YEAR	**$ 1,284**	$ 1,282

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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, 2018 effective interest rate was 1.60% (2017 - 0.95%).

3. *Investment*

	2018	2017
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: Tyler Walsh, courtesy Tourism Winnipeg

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

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

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

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

The Municipal Accommodations Division is a self-financing utility enterprise and uses an "Actual/Market" model to distribute accommodation costs to all departments. This full cost recovery model is often referred to as the "Charge-Back System" and all services the Division provides are recovered from client departments, utilities and Special Operating Agencies. 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)

	2018	2017	2016	2015	2014
Number of facilities	**120**	113	135	132	134
Total area square footage	**3,140,995**	3,104,626	3,243,444	3,286,049	3,333,251

THE CITY OF WINNIPEG
MUNICIPAL ACCOMMODATIONS FUND

STATEMENT OF FINANCIAL POSITION

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

		2018		2017
ASSETS				
Current				
Cash	**$**	**-**	$	33
Due from General Revenue Fund (Note 3)		**7,096**		4,235
Accounts receivable (Note 4)		**62**		38
Prepaid expenses		**704**		803
	$	**7,862**	**$**	5,109
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 5)	**$**	**7,407**	$	4,582
Deferred revenue		**455**		527
	$	**7,862**	$	5,109

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)

	2018 Budget	2018 Actual	2017 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 8b)	**$ 69,451**	**$ 68,801**	$ 71,999
Other rental	**2,190**	**1,827**	1,805
Investment and other	**409**	**502**	583
Total Revenues	**72,050**	**71,130**	74,387
EXPENSES			
Municipal Accommodations	**55,309**	**53,385**	53,678
Transfer to General Revenue Fund	**12,082**	**13,086**	11,682
Transfer to General Capital Fund	**4,659**	**4,659**	9,027
Total Expenses (Note 9)	**72,050**	**71,130**	74,387
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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 1.25% 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, renovates and disposes of buildings through demolition or sale.

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

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, 2018 effective interest rate was 1.60% (2017 - 0.95%).

4. *Accounts Receivable*

	2018	2017
Maintenance billings and other	**$ 212**	$ 174
Allowance for doubtful accounts	**(150)**	(136)
	$ 62	$ 38

5. *Accounts Payable and Accrued Liabilities*

	2017	2017
Accounts payable and accrued liabilities	**$ 4,788**	$ 3,222
Performance deposits	**1,865**	677
Wages and employee benefits payable	**457**	381
Accrued interest on long-term debt	**297**	302
	$ 7,407	$ 4,582

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:

2019	8,012
2020	7,965
2021	7,644
2022	7,566
2023	6,442
Subsequent	58,152
	$ 95,781

7. *Employee Benefits*

a) Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2018 at $1.2 million (2017 $1.3 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, 2018 is estimated at $979 thousand (2017 - $982 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, 2018 is estimated at $1.5 million (2017 - $1.5 million).

d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2018 is estimated at $1.1 million (2017 - $1.9 million).

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, $1.6 million (2017 - $1.6 million) of pension costs were allocated to Municipal Accommodations. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2017 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 $909 thousand (2017 - $916 thousand)
- Transfer from the Insurance Reserve Fund for recovery of insurance claims is $283 thousand (2017 - $225 thousand);
- Transfer to the Computer Replacement Reserve Fund is $80 thousand (2017 - $19 thousand);
- Transfer to the Commitment Reserve Fund is $236 thousand (2017 - $672 thousand);
- Transfer to the General Revenue Fund for general government charges is $620 thousand (2017- $617 thousand), which represents the estimated share of The City of Winnipeg's general expenses applicable to the Municipal Accommodations Fund;
- Transfer to the General Revenue Fund for global savings is $94 thousand (2017 - $94 thousand); and
- Transfer to the City of Winnipeg Parking Authority - Special Operating Agency for parking space rental is $16 thousand (2017 - $7 thousand).

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

	2018	2017
General Revenue Fund	**$ 64,211**	$ 67,319
Sewage Disposal System	**1,123**	1,160
Waterworks System	**1,030**	1,073
Fleet Management - Special Operating Agency	**759**	741
Municipal Accommodations Fund	**634**	592
Transit System	**383**	383
Winnipeg Parking Authority - Special Operating Agency	**249**	254
Animal Services - Special Operating Agency	**215**	212
Solid Waste Disposal Fund	**197**	253
Land Operating Reserve	**-**	12
	$ 68,801	$ 71,999

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

9. Expenses by Object

	2018 Budget	**2018 Actual**	2017 Actual
Services, materials and supplies	**$ 35,879**	**$ 34,010**	$ 34,150
Salaries and employee benefits	**20,425**	**20,275**	20,384
Transfer to General Revenue Fund	**12,082**	**13,086**	11,682
Transfer to General Capital Fund	**4,659**	**4,659**	9,027
Other grants and transfers	**1,314**	**1,544**	1,871
Debt and finance charges	**1,257**	**1,263**	577
Recoveries	**(3,566)**	**(3,707)**	(3,304)
	$ 72,050	**$ 71,130**	$ 74,387

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.

11. *Comparative Figures*

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

2018 Utilities
Detailed Financial Statements

Photo: City of Winnipeg

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, Winnipeg Transit Plus (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 fare revenue increased by $7.0 million from 2017, a 8.9 % increase. This increase was due to an above inflationary rate increase to fares which was approved by City Council. Revenue passengers for 2018 numbered 48.4 million, a 0.65% increase from 2017.

In 2018 the Province of Manitoba provide an operating transfer of $40.1 million to Winnipeg's transit system. This is the same level of funding as the previous year. The Province of Manitoba's capital grant commitment for various projects under of the Public Transit Infrastructure Fund (PTIF) was $17.4 million and their commitment under the South West Rapid Transitway (Stage 2) and Pembina Highway Underpass project was $7.3 million.

For purposes of funding capital investments, funds transferred to the Transit System included $2.3 million from the Bus Replacement Reserve, $815 thousand from the Southwest Rapid Transit Corridor Reserve and $65 thousand from the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Reserve.

$34.9 million of Federal funding was recorded under the PTIF program for the purchase of buses and the expansion of the overhaul and maintenance facilities. An additional $862 thousand of Federal funding was recorded for their share of eligible costs to date on the South West Rapid Transitway (Stage 2) and Pembina Highway Underpass project.

The appropriation from the General Revenue Fund increased by $13.1 million from the previous year. The increase was necessary to maintain adequate funding for operating expenses and capital funding after changes to the Provincial's funding formula for Transit.

Operating expenses increased by $8.22 million from the previous year mainly due to the impact contractual agreements and an aggressive recruitment campaign had on salaries and benefits and an increase in fuel expense from higher prices for diesel fuel.

Several achievements were realized during the year, including:

- Construction on the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Project has progressed with the completion of the CN rail bridge over Pembina Hwy and the relocation of CN rail lines. Approximately 64% of the Transitway is complete and eight of the nine structures are substantially complete. The new Rapid Transit infrastructure at the University of Manitoba is complete and in service.

- As part of the Public Transit Infrastructure Fund program, Transit saw the delivery of 55 new buses as well as significant upgrades to the roof and ventilation on the transit facilities.

- A pilot project to provide free Wi-Fi to customers was launched on 12 buses.

- The Handi-Transit service underwent a name change and re-branding, which included the launch of a new logo. The new name is Winnipeg Transit Plus.

- The contract for the Winnipeg Transit Master Plan was awarded and detailed analysis of the current system and recommendations for future system and route optimizations has started.

THE CITY OF WINNIPEG
TRANSIT SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2018	2017	2016	2015	2014
Regular cash fare	**$ 2.95**	$ 2.70	$ 2.65	$ 2.60	$ 2.55
Handi-transit					
Annual ridership (in thousands)	**459.1**	473.4	467.9	459.4	465.7
Total cost per passenger	**$ 27.95**	$ 24.30	$ 23.25	$ 22.74	$ 22.96
Revenue to cost ratio	**7%**	7%	10%	7%	8%
Regular transit					
Annual ridership (in millions)	**48.4**	48.1	48.5	48.2	49.9
Bus hours operated (in thousands)	**1,554**	1,549	1,542	1,523	1,525
Direct operating cost per passenger	**$ 3.27**	$ 3.12	$ 3.02	$ 2.91	$ 2.80
Direct operating cost per vehicle hour	**$ 101.79**	$ 96.92	$ 94.92	$ 92.15	$ 91.59
Revenue to cost ratio	**56%**	54%	55%	57%	57%
Municipal operating cost per capita	**$ 86.77**	$ 69.19	$ 93.12	$ 61.93	$ 63.01

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2018	2017
FINANCIAL ASSETS		
Cash	**$ 277**	$ 298
Accounts receivable (Note 3)	**67,038**	14,771
Due from General Revenue Fund (Note 4)	**-**	6,061
	67,315	21,130
LIABILITIES		
Accounts payable and accrued liabilities	**10,652**	5,908
Expropriation liability	**12,124**	11,241
Deferred revenue	**8,629**	557
Due to General Revenue Fund (Note 4)	**23,475**	-
Debt (Note 5)	**157,342**	124,851
	212,222	142,557
NET FINANCIAL LIABILITIES	**(144,907)**	(121,427)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**444,886**	353,560
Inventory (Note 7)	**5,376**	5,934
Prepaid expenses	**1,002**	976
	451,264	360,470
ACCUMULATED SURPLUS (Note 8)	**$ 306,357**	$ 239,043

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)

	2018 Budget	2018 Actual	2017 Actual
REVENUES			
Sale of goods and services (Note 9)	**$ 84,322**	**$ 89,666**	$ 82,934
Appropriation from General Revenue Fund	**66,405**	**66,405**	53,326
Provincial Government transfers (Note 10)	**41,970**	**42,024**	41,938
Interest and other	**1,047**	**1,035**	888
Total revenues from operations	**193,744**	**199,130**	179,086
EXPENSES			
Operations (Note 11)	**85,445**	**81,537**	78,040
Plant and equipment (Note 12)	**61,862**	**59,331**	55,918
Client Services	**12,851**	**12,858**	12,638
Other departmental (Note 13)	**13,073**	**12,038**	11,780
Finance and administration	**3,192**	**3,145**	3,018
Planning, schedules and marketing	**2,730**	**2,004**	2,166
Information systems	**2,010**	**1,905**	1,647
Human resources	**798**	**727**	681
Asset Management	**421**	**427**	215
Total expenses from operations (Note 14)	**182,382**	**173,972**	166,103
Transfers to other funds (Note 15)	**6,737**	**7,259**	3,560
Total expenses	**189,119**	**181,231**	169,663
Surplus for the year from operations	**4,625**	**17,899**	9,423
Net surplus from capital (Note 16)	**-**	**49,415**	1,605
NET SURPLUS FOR THE YEAR	**$ 4,625**	**67,314**	11,028
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**239,043**	228,015
ACCUMULATED SURPLUS, END OF YEAR		**$ 306,357**	$ 239,043

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)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 67,314**	$ 11,028
Non-cash items related to operations		
Amortization	**23,639**	22,648
Loss on disposal of tangible capital assets	**565**	194
Working capital from operations	**91,518**	33,870
Net change in other working capital	**(38,919)**	(3,590)
	52,599	30,280
FINANCING		
Interest on funds on deposit with The City of Winnipeg Sinking Fund	**(460)**	(386)
Debt issued	**35,500**	18,974
Payments on long term debt	**(1,285)**	(2,144)
Payments to The City of Winnipeg Sinking Fund for outstanding debt	**(1,264)**	(1,264)
Expropriation liability	**883**	(659)
Due to/from General Revenue Fund	**29,536**	(13,077)
	62,910	1,444
INVESTING		
Acquisition and construction of tangible capital assets	**(115,530)**	(31,702)
	(115,530)	(31,702)
(Decrease) increase in cash	**(21)**	22
CASH, BEGINNING OF YEAR	**298**	276
CASH, END OF YEAR	**$ 277**	$ 298

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
TRANSIT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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 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.

b) Inventory

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

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:

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.

d) 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.

1. *Significant Accounting Policies (continued)*

d) Service Concession Arrangements (continued)

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 is when the tangible capital asset is available for productive use.

e) 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 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 financial statements.

f) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant areas requiring the use of estimates include 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 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 a Province of Manitoba annual operating grant.

3. *Accounts Receivable*

	2018	2017
Government of Canada	**$ 41,867**	$ 6,076
Province of Manitoba	**22,407**	6,043
Fare products, charter and other	**2,764**	2,652
	$ 67,038	$ 14,771

4. 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, 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, 2018 effective interest rate was 1.70% (2017 - 0.95%).

5. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2018**	Amount of Debt 2017
2010-2041	June 3	5.150	WB	183/2008	**$ 60,000**	$ 60,000
2011-2051	Nov 15	4.300	WC	150/09	**29,750**	29,750
2015-2045	May 16	3.828	WD-3	6/2015	**3,619**	3,619
					93,369	93,369
Funds on deposit with the Sinking Funds (Note 5b)					**(11,350)**	(9,626)
Net sinking fund debentures outstanding					**82,019**	83,743

Other long term debt outstanding

	2018	2017
Serial debentures issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.50% (2017 - 4.40%)	**75**	150
Bank of Nova Scotia revolving term loan due June 30, 2020 with an interest rate of the bank's prime rate minus 1.05%	**18,500**	18,500
General Capital Fund debt issued by the City with varying maturities up to 2035 and a weighted average interest rate of 1.85% (2017 - 1.97%). Individual interest rates range from 0 to 7.25%	**21,248**	22,458
Service concession arrangement obligations (Notes 5d and 17)	**35,500**	-
	$ 157,342	$ 124,851

5. *Debt (continued)*

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

	2019	2020	2021	2022	2023	Thereafter
Sinking fund debentures	$ -	$ -	$ -	$ -	$ -	$ 93,369
Serial debentures	75	-	-	-	-	-
Revolving term loan	-	18,500	-	-	-	-
General Capital Fund debt	2,301	2,298	2,187	2,203	2,108	10,151
Service Concession Arrangement	355	2,131	2,131	2,131	2,131	26,621
	$ 2,731	$ 22,929	$ 4,318	$ 4,334	$ 4,239	$ 130,141

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 City of Winnipeg Sinking Fund 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 two percent on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) The Fund has a revolving term loan from the Bank of Nova Scotia for the purpose of financing the construction of Southwest Rapid Transit corridor to a maximum amount of $31.0 million. The credit facility bears interest at the bank's prime rate minus 1.05% per annum and is secured by a general security agreement. The loan is due June 30, 2020 but repayment can be made at any time. Interest is payable monthly. The balance at December 31, 2018 is $18.5 million (2017 -

d) Service concession arrangement obligations are as follows:

	2018	2017
Plenary Roads Winnipeg Transitway LP	**$ 35,500**	$ -

The City has entered into a project agreement with Plenary Roads Winnipeg Transitway LP, Plenary Roads Winnipeg Transitway GP Inc. and PCL BRT (Winnipeg) GP Inc. (together, “PRWT”) to design, build, finance, (operate) and maintain the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass. The contract was executed in June 2016 and terminates 30 years after substantial completion of the project.
$18.5 million).

5. Debt (continued)

The project is currently under construction with commissioning anticipated to be in the fall of 2019. The $467.3 million project is budgeted to be financed through a Provincial government transfer of $187.0 million, a $137.2 million service concession arrangement obligation to PRWT, a payment of $93.3 million from Infrastructure Canada, sinking fund debentures of $40.0 million, and other cash consideration of $9.8 million.

As at December 31, 2018, $35.5 million was capitalized for assets completed and in use (Note 6). Upon commissioning the project, the City will commence repayment of the service concession agreement obligation to PRWT through monthly capital and interest performance-based payments totaling $8.35 million annually over the 30-year contract. The City will also make a monthly performance-based maintenance payment to PRWT as disclosed in Note 17.

e) Included in interest and finance charges expense is $418 thousand (2017 - $443 thousand) paid to the General Capital Fund.

f) Cash paid for interest during the year was $4.5 million (2017 - $4.5 million).

6. Tangible Capital Assets

	Net Book Value	
	2018	2017
Vehicles	**$ 137,478**	$ 118,056
Buildings	**47,012**	33,459
Land improvements	**6,177**	7,766
Land	**27,769**	26,887
Roads, bridges and tunnels	**131,754**	109,599
Other	**11,966**	15,339
Assets under construction	**82,730**	42,454
	$ 444,886	$ 353,560

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

7. Inventory

	2018	2017
Parts and uniforms	**$ 5,341**	$ 5,903
Tickets, passes and other	**35**	31
	$ 5,376	$ 5,934

8. Accumulated Surplus

	2018	2017
Appropriated	**$ 6,195**	$ 6,249
Unappropriated	**14,538**	422
Retained earnings	**20,733**	6,671
Invested in tangible capital assets	**285,624**	232,372
	$ 306,357	$ 239,043

9. Sale of Goods and Services

	2018 Budget	2018 Actual	2017 Actual
Passenger Fares	**$ 80,692**	**$ 86,089**	$ 79,078
Advertising rights	**2,435**	**2,387**	2,369
Charter and other	**1,195**	**1,190**	1,487
	$ 84,322	**$ 89,666**	$ 82,934

10. Provincial Government Transfers

The Provincial Government provided transfers of $40.1 million (2017 - $40.1 million) towards the operation of the Transit System, $1.9 million (2017 - $1.9 million) as a local government support transfer and $24.7 million (2017 - $9.2 million) as a capital transfer.

11. Operations

	2018 Budget	2018 Actual	2017 Actual
Bus operators	**$ 76,309**	**$ 73,814**	$ 71,176
Inspectors	**5,340**	**4,379**	3,605
Operations administration	**2,299**	**1,887**	1,964
Instruction	**1,497**	**1,457**	1,295
	$ 85,445	**$ 81,537**	$ 78,040

12. Plant and Equipment

	2018 Budget	2018 Actual	2017 Actual
Vehicle maintenance and overhaul	**$ 31,282**	**$ 26,768**	$ 26,496
Bus servicing	**19,113**	**22,165**	18,792
Facilities maintenance	**8,165**	**7,057**	6,895
Maintenance administration	**3,302**	**3,341**	3,735
	$ 61,862	**$ 59,331**	$ 55,918

13. Other Departmental

	2018 Budget	2018 Actual	2017 Actual
Interest and finance charges	**$ 5,364**	**$ 4,984**	$ 5,015
Taxes	**3,049**	**2,917**	2,795
Insurance and claims	**2,162**	**1,679**	1,764
General government charges and other	**1,655**	**1,913**	1,302
Employee benefits	**843**	**545**	904
	$ 13,073	**$ 12,038**	$ 11,780

13. Other Departmental (continued)

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, 2018 is estimated at $6.3 million (2017 - $5.8 million).

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2018 at $5.8 million (2017 - $5.8 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2018 at $4.8 million (2017 - $4.7 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 $7.1 million (2017 - $8.1 million).

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, $8.6 million (2017 - $8.2 million) of pension costs were allocated to the department. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2017 and has an actuarial surplus.

b) General government charges

Included in general government charges and other is $801 thousand (2017 - $797 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 $383 thousand (2017 - $383 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 2018, realty and business taxes paid to the General Revenue Fund was $864 thousand (2017 - $804 thousand).

e) Insurance

During 2018 $135 thousand was transferred to the Insurance Reserve (2017 - nil). Nil was transferred from the Insurance Reserve to the Transit System (2017 - $26 thousand).

f) 311 and business technology services

Included in expenses is $782 thousand (2017 - $783 thousand) that has been charged by the General Revenue Fund for services provided by the Corporate Support Services department.

14. *Expenses by Object*

	2018 Budget	2018 Actual	2017 Actual
Salaries and wages	**$ 100,364**	**$ 95,416**	$ 91,688
Materials and supplies	**32,499**	**32,314**	29,778
Employee benefits	**19,729**	**18,472**	18,116
Services	**17,860**	**15,893**	16,022
Interest on debt	**5,212**	**4,932**	4,959
Other	**3,029**	**3,110**	2,645
Taxes - municipal and payroll	**3,049**	**2,917**	2,795
Insurance and transfer to Insurance Reserve	**2,363**	**2,346**	2,220
Recoveries	**(1,723)**	**(1,428)**	(2,120)
	$ 182,382	**$ 173,972**	$ 166,103

15. *Transfers to Other Funds*

	2018 Budget	2018 Actual	2017 Actual
Transfer to SW Transit Payment Reserve	**$ 5,300**	**$ 5,300**	$ 3,400
Transfer to Transit Bus Replacement Reserve	**1,437**	**1,959**	160
	$ 6,737	**$ 7,259**	$ 3,560

16. *Net Surplus from Capital*

	2018 Actual	2017 Actual
Revenues		
Government of Canada capital transfers	**$ 35,792**	$ 3,194
Province of Manitoba capital transfers (Note 10)	**24,674**	9,167
Transfer from capital	**10,603**	-
Transfer from Transit Bus Replacement Reserve	**2,327**	5,170
Transfer from SW Rapid Transit Corridor Reserve	**815**	-
Transfer from SW Rapid Transitway Pmt Reserve	**65**	97
Transfer from Federal Gas Tax Reserve	**-**	9,208
	74,276	26,836
Expenses		
Amortization	**23,639**	22,648
Transfer to capital	**607**	1,986
Loss on disposal of tangible capital assets	**565**	194
Work in process costs expensed in year	**50**	403
	24,861	25,231
	$ 49,415	$ 1,605

17. Commitments

a) Service concession arrangements

As disclosed in Note 5(d), upon commissioning of the project Transit will commence monthly performance-based maintenance payments to PRWT related to the South West Rapid Transitway (Stage 2) project. The monthly payment averaging $3.1 million annually is to be adjusted by CPI and is payable upon substantial completion of the project until the termination of the thirty year contract.

18. 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.

19. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

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	$ 247,360	$ 46,075	$ 28,032
Add: Additions during the year	33,143	14,991	91
Less: Disposals during the year	(16,881)	(610)	-
Balance, end of year	263,622	60,456	28,123
Accumulated amortization			
Balance, beginning of year	(129,304)	(12,616)	(20,266)
Add: Amortization	(13,181)	(1,413)	(1,680)
Less: Accumulated amortization on disposal	16,341	585	-
Balance, end of year	(126,144)	(13,444)	(21,946)
Net Book Value of Tangible Capital Assets	$ 137,478	$ 47,012	$ 6,177

Schedule 1

Land	Roads, Bridges, and Tunnels	Other	Assets Under Construction	**2018**	2017
$ 26,887	$ 131,761	$ 38,495	$ 42,454	**$ 561,064**	$ 538,974
882	26,123	24	40,276	**115,530**	31,702
-	-	-	-	**(17,491)**	(9,612)
27,769	157,884	38,519	82,730	**659,103**	561,064
-	(22,162)	(23,156)	-	**(207,504)**	(194,274)
-	(3,968)	(3,397)	-	**(23,639)**	(22,648)
-	-	-	-	**16,926**	9,418
-	(26,130)	(26,553)	-	**(214,217)**	(207,504)
$ 27,769	$ 131,754	$ 11,966	$ 82,730	**$ 444,886**	$ 353,560

Photo: City of Winnipeg

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 stated 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. On March 3, 2015, as part of the 2015 budget adoption process, Council amended the rate from 8% to 12% of budgeted gross water sales.

The Waterworks System utility dividend was $15.5 million in 2018 (2017 - $14.9 million).

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2018	2017	2016	2015	2014
Block 1 rate in dollars (per cu. metre)	**$ 1.82**	$ 1.78	$ 1.63	$ 1.45	$ 1.42
Annual water pumped (million litres)	**71,330**	69,005	69,096	71,100	76,831
Water pumped in litres per capita per day	**255**	252	260	271	297
Average daily water pumped (million litres per day)	**195**	189	189	195	211
Maximum day water pumping rates (million litres per day)	**262**	236	221	240	261
Maximum hour water pumping rates (million litres per day)	**365**	342	342	337	375
Kilometres of aqueduct	**174.5**	174.5	174.5	174.5	174.5
Kilometres of feeder mains	**151.6**	151.6	151.9	151.9	149.9
Kilometres of water mains	**2,679.4**	2,659.8	2,637.1	2,614.2	2,592.3
Number of hydrants	**22,785**	22,376	22,045	21,919	21,692
Number of billed services	**210,490**	208,008	205,759	203,607	201,565

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2018	2017
ASSETS		
Current		
Cash	**$ 2**	$ 2
Accounts receivable (Note 3)	**28,794**	24,909
Inventories	**1,614**	1,429
Prepaid expenses	**1**	1
	30,411	26,341
Tangible capital assets (Note 5)	**980,358**	952,786
Deferred charges (Note 6)	**1,666**	1,757
	$ 1,012,435	$ 980,884
LIABILITIES		
Current		
Due to General Revenue Fund (Note 4)	**$ 10,184**	$ 17,811
Accounts payable and accrued liabilities (Note 7)	**7,228**	7,118
Current portion of long-term debt (Note 8)	**3,065**	3,057
	20,477	27,986
Long-term debt (Note 8)	**119,880**	124,548
	140,357	152,534
ACCUMULATED SURPLUS (Note 9)	**872,078**	828,350
	$ 1,012,435	$ 980,884

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)

	2018 Budget	**2018 Actual**	2017 Actual
REVENUES (Schedule 1)			
Sale of goods and services (Note 10)	**$ 129,251**	**$ 129,626**	$ 123,891
Government transfers and permits	**2,014**	**2,149**	2,179
Interest	**1,693**	**1,682**	1,587
Other	**163**	**651**	239
Total revenues	**133,121**	**134,108**	127,896
EXPENSES (Schedules 2 and 3)			
Water distribution	**47,518**	**45,083**	45,577
Debt and finance	**13,142**	**8,484**	8,493
Taxes, employee benefits and other (Note 11)	**7,017**	**6,637**	6,404
Engineering services	**3,987**	**4,107**	4,007
Finance and administration	**4,042**	**3,802**	3,623
Information systems and technology	**2,648**	**2,282**	2,156
Customer services	**1,573**	**1,455**	1,435
Environmental standards	**1,534**	**1,430**	1,398
Human resources	**1,085**	**961**	928
Total expenses from operations	**82,546**	**74,241**	74,021
Surplus for the year from operations	**50,575**	**59,867**	53,875
Transfers to other funds (Note 12)	**32,987**	**34,487**	31,443
Net surplus from operations after transfers to other funds	**17,588**	**25,380**	22,432
Net surplus from capital (Schedule 4)	**-**	**18,348**	4,421
NET SURPLUS FOR THE YEAR	**$ 17,588**	**43,728**	26,853
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**828,350**	801,497
ACCUMULATED SURPLUS, END OF YEAR		**$ 872,078**	$ 828,350

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)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 43,728**	$ 26,853
Non-cash items related to operations		
Amortization	**24,735**	24,057
Loss on disposal of tangible capital assets	**33**	25
Working capital from operations	**68,496**	50,935
Change in net working capital other than cash	**(3,952)**	(2,585)
	64,544	48,350
FINANCING		
Amortization of debenture discount	**91**	93
Debt retired	**(229)**	(221)
Due to General Revenue Fund	**(7,627)**	(1,193)
Interest on sinking fund	**(1,603)**	(1,412)
Payments to sinking fund	**(2,836)**	(2,836)
	(12,204)	(5,569)
INVESTING		
Purchase of tangible capital assets	**(52,340)**	(42,781)
CASH, BEGINNING OF YEAR	**2**	2
CASH, END OF YEAR	**$ 2**	$ 2

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. *Significant Accounting Policies*

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

Basis of accounting

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

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims 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.

1. Significant Accounting Policies (continued)

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) 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

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

	2018	2017
Water billings and other	**$ 29,194**	$ 25,309
Allowance for doubtful accounts	**(400)**	(400)
	$ 28,794	$ 24,909

4. *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 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, 2018 effective interest rate was 1.60% (2017 - 0.95%).

5. *Tangible Capital Assets*

	Net Book Value **2018**	Net Book Value 2017
Land	**$ 1,791**	$ 1,824
Buildings	**3,138**	3,244
Machinery and equipment	**1,021**	1,092
Computer	**6,032**	5,801
Underground networks	**646,879**	618,113
Road and bridges	**9,867**	6,352
Water pumping stations and reservoirs	**307,791**	314,863
Assets under construction	**3,839**	1,497
	$ 980,358	$ 952,786

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

During 2018 and 2017 there were no write-downs of tangible capital assets, and interim financing charges capitalized during 2018 were $177 thousand (2017 - $233 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totaled $16.1 million in 2018 (2017 - $8.9 million) and were capitalized at their fair value at the time of receipt.

6. *Deferred Charges*

	2018	2017
Deferred debenture discount	**$ 1,666**	$ 1,757

7. *Accounts Payable and Accrued Liabilities*

	2018	2017
Accrued debenture interest	**$ 3,807**	$ 3,807
Other accrued liabilities	**1,366**	1,321
Trade accounts payable	**901**	711
Deferred revenue and other	**720**	633
Performance deposits (miscellaneous capital holdbacks)	**434**	646
	$ 7,228	$ 7,118

8. *Long Term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2018**	2017
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	**$ 60,000**	$ 60,000
2008-2036	July 17	5.200	VZ	72/2006 B	**100,000**	100,000
					160,000	160,000
Equity in Sinking Funds (Note 8b)					**(38,756)**	(34,318)
Net sinking fund debentures outstanding					**121,244**	125,682

Other long-term debt outstanding

	2018	2017
Canada Mortgage and Housing Corporation ("CMHC") debt, maturity in 2025, interest rate of 3.35%	**1,701**	1,923
	122,945	127,605
Current portion of long-term debt	**(3,065)**	(3,057)
	$ 119,880	$ 124,548

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

	2019	2020	2021	2022	2023	Thereafter
Sinking fund debentures	$ -	$ -	$ -	$ -	$ -	$ 160,000
CMHC	229	237	244	253	261	477
	$ 229	$ 237	$ 244	$ 253	$ 261	$ 160,477

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 $8.5 million (2017 - $8.5 million).

9. *Accumulated Surplus*

	2018	2017
Invested in tangible capital assets	**$ 857,413**	$ 825,948
Retained earnings	**14,665**	2,402
	$ 872,078	$ 828,350

10. *Revenue*

Effective January 1, 2018 the water rate was $1.82 per cubic metre (2017 - $1.78).

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 2018, tax paid to the General Revenue Fund was $2.8 million (2017 - $2.8 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, 2018 is $3.3 million (2017 - $3.3 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, 2018 is estimated at $3.0 million (2017 - $2.0 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, 2018 at $2.1 million (2017 - $2.1 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, 2018 at $3.2 million (2017 - $3.3 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 $3.6 million (2017 - $3.6 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, 2017 and has disclosed an actuarial surplus.

11. Taxes, Employee Benefits and Other (continued)

General government charges

Included in expenses is $1.1 million (2017- $1.1 million) in general government service charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure.

Rent

Included in expenses is $1.0 million (2017 - $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 $321 thousand credit (2017 - $30 thousand debit) from the City of Winnipeg Insurance Reserve.

12. Transfers to Other Funds

The Waterworks System transfers to other funds are as follows:

	2018	2017
Transfer to Water Main Renewal Reserve	**$ 19,000**	$ 16,500
Utility dividend transfer to General Revenue	**15,487**	14,943
	$ 34,487	$ 31,443

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. Council increased the utility dividend to 12% of budgeted water sales in 2015.

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)

	2018 Budget	2018 Actual	2017 Actual
Sale of goods and services			
Water sales	$ 129,062	$ 129,349	$ 123,632
Fire hydrant and other rentals	127	169	182
Sale of goods and services	62	108	77
	129,251	129,626	123,891
Government transfers, permits and other			
Permits and fees	1,249	1,353	1,396
Provincial support transfer	765	796	783
	2,014	2,149	2,179
Interest			
Sinking Fund earnings	1,603	1,603	1,412
Capital construction interest	100	177	232
Interest	(10)	(98)	(57)
	1,693	1,682	1,587
Other	163	651	239
Total revenues	$ 133,121	$ 134,108	$ 127,896

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2018 Budget	2018 Actual	2017 Actual
Water treatment and distribution			
Water main maintenance	**$ 20,285**	**$ 18,848**	$ 7,500
Water treatment plant	**19,293**	**18,450**	18,862
Railway maintenance and operations	**2,328**	**2,355**	2,328
General administration	**2,178**	**2,203**	2,258
Emergency services	**2,135**	**1,988**	2,041
Stores - 552 Plinguet	**476**	**508**	596
Intake operation	**585**	**503**	568
Mechanical/civil/electrical maintenance allocation	**159**	**148**	153
Meter shop	**79**	**80**	80
Service pipe maintenance	**-**	**-**	5,911
Hydrant maintenance	**-**	**-**	2,797
Water meter maintenance	**-**	**-**	1,423
Valve maintenance	**-**	**-**	1,060
	47,518	**45,083**	45,577
Corporate Division			
Taxes, employee benefits and other			
Property taxes	**3,225**	**3,230**	3,239
Employee benefits	**847**	**1,130**	714
General government charges	**1,073**	**1,073**	1,069
Rent	**1,030**	**1,030**	1,074
Provincial payroll tax	**905**	**816**	820
Insurance and damage claims	**495**	**716**	504
Other services	**292**	**118**	147
Transfer (from) to insurance reserve	**-**	**(321)**	30
Recoveries	**(850)**	**(1,155)**	(1,193)
	7,017	**6,637**	6,404
Debt and finance			
Long-term debt			
Interest	**8,389**	**8,391**	8,400
Finance charges	**93**	**93**	93
Amortization	**4,660**	**-**	-
	13,142	**8,484**	8,493

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2018 Budget	2018 Actual	2017 Actual
Engineering services division			
Water planning	**1,273**	**1,484**	1,460
Design and construction	**627**	**679**	619
Drafting and graphics	**625**	**560**	529
Customer technical services	**407**	**402**	324
Administration	**322**	**328**	346
Asset management	**259**	**259**	234
Engineer designate support	**275**	**212**	322
Services development	**199**	**183**	173
	3,987	**4,107**	4,007
Finance and administration division			
Customer billing	**2,685**	**2,540**	2,442
Accounting services	**434**	**395**	400
Plinguet operational support	**336**	**287**	218
Capital planning	**200**	**217**	219
Office of the Director	**149**	**152**	143
Knowledge management	**152**	**113**	117
Rates and business analysis	**86**	**98**	84
	4,042	**3,802**	3,623
Information systems and technology division			
Support services	**1,216**	**1,129**	990
Major systems	**1,016**	**742**	738
Planning and design	**416**	**411**	428
	2,648	**2,282**	2,156
Customer services division			
Customer relations	**1,088**	**1,009**	1,006
Administration	**277**	**274**	268
Communications	**208**	**172**	161
	1,573	**1,455**	1,435
Environmental standards division			
Analytical services	**943**	**919**	852
Compliance	**388**	**350**	349
Administration	**203**	**161**	197
	1,534	**1,430**	1,398

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2018 Budget	**2018 Actual**	2017 Actual
Human resources division			
Human resources	**506**	**447**	447
Work place health and safety	**189**	**178**	163
Timekeeping and payroll	**194**	**177**	183
Human resources training	**196**	**159**	135
	1,085	**961**	928
Total expenses from operations	**82,546**	**74,241**	74,021
Transfers to other funds (Note 12)			
Transfer to Water Main Renewal Reserve	**17,500**	**19,000**	16,500
Dividend transfer to General Revenue	**15,487**	**15,487**	14,943
Total transfers to other funds	**32,987**	**34,487**	31,443
Total expenses	**$ 115,533**	**$ 108,728**	$ 105,464

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2018 Budget	**2018 Actual**	2017 Actual
Salaries	**$ 40,857**	**$ 37,738**	$ 38,003
Transfers	**35,104**	**36,283**	33,843
Goods and services	**38,290**	**35,617**	34,945
Interest on long-term debt	**8,482**	**8,484**	8,493
Employee benefits	**7,689**	**7,664**	7,180
Other expenses	**4,675**	**4,623**	4,533
Grants	**124**	**124**	94
Finance charges	**65**	**58**	57
Amortization/sinking fund	**4,660**	**-**	-
Recoveries	**(24,413)**	**(21,863)**	(21,684)
Total expenses	**$ 115,533**	**$ 108,728**	$ 105,464

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2018 Actual	2017 Actual
Revenues		
Transfers		
Water Main Renewal Reserve	**$ 21,049**	$ 19,817
General Capital	**3,088**	121
Provincial and Federal Capital	**2,059**	-
Sewage Disposal System	**934**	100
Utility Operations	**-**	212
	27,130	20,250
Developer contributions-in-kind	**16,073**	8,980
Total revenue from capital	**43,203**	29,230
Expenses		
Amortization	**24,735**	24,057
Other expenses	**120**	727
Loss on disposal of tangible capital assets	**-**	25
Total expenses from capital	**24,855**	24,809
Net surplus from capital	**$ 18,348**	$ 4,421

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	$ 5,752	$ 10,122	$ 42,082
Add: Additions during the year	-	-	75	2,161
Less: Disposals during the year	(33)	-	(44)	-
Balance, end of year	1,791	5,752	10,153	44,243
Accumulated amortization				
Balance, beginning of year	-	2,508	9,030	36,281
Add: Amortization	-	106	146	1,930
Less: Accumulated amortization on disposals	-	-	(44)	-
Balance, end of year	-	2,614	9,132	38,211
Net Book Value of Tangible Capital Assets	$ 1,791	$ 3,138	$ 1,021	$ 6,032

Schedule 5

Infrastructure				Totals	
Underground Networks	Roads and Bridges	Water Pumping Stations and Reservoirs	Assets Under Construction	**2018**	2017
$ 898,148	$ 6,814	$ 429,164	$ 1,497	**$ 1,395,403**	$ 1,356,738
42,776	3,861	1,125	2,342	**52,340**	42,781
(5,327)	-	-	-	**(5,404)**	(4,116)
935,597	10,675	430,289	3,839	**1,442,339**	1,395,403
280,035	462	114,301	-	**442,617**	422,651
14,010	346	8,197	-	**24,735**	24,057
(5,327)	-	-	-	**(5,371)**	(4,091)
288,718	808	122,498	-	**461,981**	442,617
$ 646,879	$ 9,867	$ 307,791	$ 3,839	**$ 980,358**	$ 952,786

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 Land Drainage 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 Sustainable Development 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, and solids management to be in compliance with the Environment Act. Based on preliminary assessments the upgrade program is estimated to cost $1.8 billion depending on market factors. 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.

In 2013, a licence was issued under the Environment Act, which governs combined sewer overflows. The Combined Sewer Overflow (CSO) Master Plan - Preliminary Proposal was submitted to the province in which the City has proposed a CSO control limit defined as 85% capture in a representative year. It balances environmental, economic and social values, and will provide a responsible and reasonable recommendation for moving forward with this challenging regulatory issue. This proposal is estimated to cost $1.3 billion.

The final SEWPCC upgrade construction contract was awarded in October 2017. The project is currently in the construction phase. An Engineering assignment for the NEWPCC nutrient reduction and recovery, including biosolids handling, was awarded in January, 2016. Preliminary design for this project is now complete.

City Council approved The Utility Dividend Policy on March 22, 2011. The policy stated 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. On March 3, 2015, as part of the 2015 budget adoption process, Council amended the rate from 8% to 12% of budgeted gross water sales. The Sewage Disposal System dividend was $22.7 million in 2018 (2017 - $20.7 million).

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

	2018	2017	2016	2015	2014
Rate in dollars (per cubic meter)	**$ 2.80**	$ 2.55	$ 2.40	$ 2.28	$ 2.21
Annual sewage received (million litres)*	**82,070**	91,956	100,716	93,245	101,750
Daily sewage received (million litres)*	**225.0**	252.0	275.0	255.6	278.8
Kilometres of interceptor sewers**	**134.3**	133.3	139.7	133.8	120.0
Kilometres of combined sewers**	**1,020.5**	1,021.0	1,020.7	1,026.2	1,026.7
Kilometres of wastewater sewers**	**1,503.2**	1,485.7	1,493.4	1,448.4	1,436.4
Number of lift stations ***	**75**	75	74	74	74
Number of billed sewer services	**210,386**	207,903	205,655	203,491	201,439

Note:
* Sewage received is dependent on both levels of precipitation and water conservation efforts.
** Net decrease in 2017 due to assets being retired.
*** Saint Boniface station came off warranty in 2017 as an additional lift station.

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2018	2017
ASSETS		
Current		
Cash	**$ 1**	$ 1
Due from General Revenue Fund (Note 3)	**72,101**	85,175
Accounts receivable (Note 4)	**55,067**	49,497
Prepaid expenses	**460**	585
Inventory	**228**	273
	127,857	135,531
Long-term receivable	**4,648**	5,671
Tangible capital assets (Note 5)	**1,160,713**	1,091,838
	$ 1,293,218	$ 1,233,040
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 21,123**	$ 25,615
Current portion of long-term debt (Note 7)	**453**	453
	21,576	26,068
Other liabilities	**1,498**	9,383
Long-term debt (Note 7)	**22,601**	23,083
	45,675	58,534
ACCUMULATED SURPLUS (Note 9)	**1,247,543**	1,174,506
	$ 1,293,218	$ 1,233,040

Commitment (Note 8)

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)

	2018 Budget	2018 Actual	2017 Actual
REVENUES (Schedule 1)			
Sewer services (Note 10)	**$ 189,400**	$ **189,984**	$ 170,217
Government transfers, permits and other	**7,954**	**10,202**	8,425
Interest	**687**	**1,678**	702
Total revenues	**198,041**	**201,864**	179,344
EXPENSES (Schedules 2 and 3)			
Collection, interception and treatment	**47,956**	**48,806**	47,436
Taxes, employee benefits and other (Note 11)	**16,796**	**17,034**	16,369
Engineering services	**6,763**	**6,313**	6,224
Finance and administration	**4,075**	**3,635**	3,618
Environmental standards	**3,169**	**2,952**	2,690
Information systems and technology	**3,339**	**2,853**	2,659
Customer services	**1,306**	**1,161**	1,153
Human resources	**1,012**	**896**	886
Debt and finance	**1,431**	**843**	802
Total expenses from operations	**85,847**	**84,493**	81,837
Surplus for the year from operations	**112,194**	**117,371**	97,507
Transfers to other funds (Note 12)	**69,985**	**70,140**	68,691
Net surplus from operations after transfer to other funds	**42,209**	**47,231**	28,816
Net surplus from capital (Schedule 4)	**-**	**25,806**	46,908
Net surplus for the year	**$ 42,209**	**73,037**	75,724
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**1,174,506**	1,098,782
ACCUMULATED SURPLUS, END OF YEAR		**$ 1,247,543**	$ 1,174,506

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)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 73,037**	$ 75,724
Non-cash items related to operations		
Amortization	**23,758**	23,076
Loss on disposal of tangible capital assets	**84**	149
Working capital from operations	**96,879**	98,949
Change in net working capital other than cash	**(17,236)**	(5,469)
	79,643	93,480
FINANCING		
Due from General Revenue Fund	**13,074**	(4,842)
	13,074	(4,842)
INVESTING		
Purchase of tangible capital assets	**(92,717)**	(88,638)
CASH, BEGINNING OF YEAR	**1**	1
CASH, END OF YEAR	**$ 1**	$ 1

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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 exceptions:

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.

c) 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 or the tangible capital assets are acquired.

1. *Significant Accounting Policies (continued)*

d) Government transfers

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

Government transfers received are recognized in the fund financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City's behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

e) Sewer System Rehabilitation Reserve

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. Since 2011, the Sewer System Rehabilitation Reserve Fund is funded through sewer rates.

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

f) Environmental Projects Reserve

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 2018 sewer rate includes a provision of 40 cents (2017 - 31 cents) per cubic meter of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve.

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

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. *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, 2018 effective interest rate was 1.60% (2017 - 0.95%).

4. *Accounts Receivable*

	2018	2017
Trade Accounts	**$ 47,711**	$ 41,922
Government of Canada	**4,051**	6,634
Province of Manitoba	**3,305**	941
	$ 55,067	$ 49,497

5. *Tangible Capital Assets*

	Net Book Value **2018**	Net Book Value 2017
Land	**$ 1,428**	$ 1,428
Land improvement	**586**	667
Buildings	**330**	341
Equipment	**113**	140
Information technology	**900**	432
Underground networks	**720,628**	704,836
Sewage treatment plants and lift stations	**252,098**	241,628
Assets under construction	**184,630**	142,366
	$ 1,160,713	$ 1,091,838

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

During 2018 there was no write-down of tangible capital assets. Interim financing charges capitalized during 2018 were $199 thousand (2017 - $114 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totaled $18.3 million in 2018 (2017 - $11.9 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

		2018		2017
Trade accounts payable	**$**	**19,547**	$	17,789
Other accrued liabilities		**890**		599
Performance deposits		**621**		519
Accrued debenture interest		**65**		65
Deferred Revenue		**-**		6,600
Accrued liabilities -LTEA		**-**		43
	$	**21,123**	$	25,615

7. *Long-term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.		Amount of Debt 2018		2017
2016-2045	June 1	3.0303	WD4	5/2015	**$**	**24,000**	$	24,000
Equity in Sinking Fund (Note 7b)						**(946)**		(464)
Net Sinking fund debentures outstanding						**23,054**		23,536
Current portion of long-term debt						**(453)**		(453)
Net Long-Term Debt					**$**	**22,601**	$	23,083

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

	2018	2019	2020	2021	2022	Thereafter
Sinking fund debentures	$ -	$ -	$ -	$ -	$ -	$ 24,000

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 four 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 $0.8 million (2017 - $0.8 million).

8. *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, 2018, prepaid expenses include $460 thousand on account of the City's payment of Direct Costs related to the PGS (2017 - $585 thousand). In addition to the PGS, Veolia is providing a Parental Guarantee by its parent company.

8. Commitment (continued)

The direct costs are recorded at the time they become payable to Veolia. The fee amounts are recorded at the time fee payments become 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.

9. Accumulated Surplus

	2018	2017
Invested in tangible capital assets	**$ 1,142,549**	$ 1,075,271
Retained earnings	**104,994**	99,235
	$ 1,247,543	$ 1,174,506

10. Sewer Services Revenue

The sewer rate for 2018 was $2.80 per cubic meter (2017 - $2.55). The Environmental Projects Reserve contribution for 2018 was 40 cents per cubic meter (2017 - 31 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 2018, realty taxes paid and transferred to the General Revenue Fund were $11.5 million (2017 - $11.6 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, 2018 is $1.5 million (2017 - $1.4 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, 2018 is estimated at $1.2 million (2017 - $1.4 million).

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, 2018 is estimated at $1.0 million (2017 - $1.0 million).

11. Taxes, Employee Benefits and Other (continued)

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2018 at $1.2 million (2017 - $1.3 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year $1.7 million (2017 - $1.6 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, 2017 and has disclosed an actuarial surplus.

General government charges

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2018, this amounted to $0.9 million (2017 - $0.9 million) and was transferred to the General Revenue Fund.

Rent

Included in expenses is $1.1 million (2017 - $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 $15 thousand recoverable (2017 - $17 thousand recoverable) from the City of Winnipeg Insurance Reserve.

12. Transfers to Other Funds

The Sewage Disposal System transfers to other funds are as follows:

	2018	2017
Transfer to Environmental Projects Reserve	**$ 23,561**	$ 18,367
Utility dividend transfer to General Revenue Fund	**22,728**	20,652
Transfer to Sewer System Rehabilitation Reserve	**13,000**	19,000
Transfer to Land Drainage System Fund	**10,851**	10,672
	$ 70,140	$ 68,691

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.

14. Comparative Figures

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

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 1

REVENUES

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

	2018 Budget	2018 Actual	2017 Actual
Sewer services	**$ 189,400**	**$ 189,984**	$ 170,217
Government transfers, permits and other			
Industrial waste surcharges	**3,200**	**4,965**	3,920
Hauled waste	**2,950**	**2,860**	2,776
Other	**798**	**1,478**	741
Permits and fees	**671**	**553**	652
Provincial transfers	**335**	**346**	336
	7,954	**10,202**	8,425
Interest			
Interest	**500**	**1,450**	577
Capitalized	**150**	**199**	114
Sinking Fund earnings	**37**	**29**	11
	687	**1,678**	702
Total revenues	**$ 198,041**	**$ 201,864**	$ 179,344

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2018 Budget	2018 Actual	2017 Actual
Collection, interception and treatment			
North end sewage treatment plant	**$ 15,547**	**$ 15,064**	$ 15,425
Local sewer	**6,681**	**6,498**	6,305
Sludge disposal	**5,255**	**6,126**	5,777
South end sewage treatment plant	**4,608**	**4,864**	4,403
Interception system	**3,532**	**4,145**	3,714
Mechanical maintenance	**2,953**	**2,813**	2,915
Administration	**2,685**	**2,579**	2,545
Electrical maintenance/instrumentation	**2,434**	**2,567**	2,387
West end sewage treatment plant	**2,292**	**2,323**	2,345
Civil maintenance	**1,167**	**1,208**	1,020
Process control	**802**	**619**	600
	47,956	**48,806**	47,436
Taxes, employee benefits and other			
Property taxes	**11,512**	**11,511**	11,562
Miscellaneous	**2,511**	**2,663**	1,883
Rent	**1,123**	**1,123**	1,160
General government charges	**927**	**926**	922
Employee benefits	**818**	**549**	541
Insurance and claims	**491**	**491**	530
Provincial payroll tax	**414**	**364**	363
Recoveries	**(1,000)**	**(593)**	(592)
	16,796	**17,034**	16,369
Engineering services			
Wastewater planning	**2,131**	**1,948**	2,038
Sewer connections	**1,300**	**1,347**	1,371
Design and construction	**645**	**679**	617
Drafting and graphic	**653**	**560**	527
Asset management	**529**	**484**	455
Administrative services	**381**	**328**	346
Customer technical services	**436**	**402**	324
Engineer designate support	**433**	**332**	323
Engineering services development	**205**	**183**	173
Land drainage and flood planning	**50**	**50**	50
	6,763	**6,313**	6,224

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2018 Budget	2018 Actual	2017 Actual
Finance and administration			
Customer accounts	**$ 2,750**	**$ 2,540**	$ 2,440
Accounting services and administration	**593**	**527**	517
Capital planning	**247**	**209**	208
Rates / business analysis	**211**	**154**	133
Knowledge management	**154**	**109**	111
Plinguet operational support	**120**	**96**	209
	4,075	**3,635**	3,618
Environmental standards			
Analysis	**1,847**	**1,730**	1,604
Industrial waste	**985**	**945**	773
Administration	**204**	**161**	197
Compliance	**133**	**116**	116
	3,169	**2,952**	2,690
Information systems and technology			
Support services	**1,686**	**1,548**	1,359
Planning and design	**1,024**	**742**	586
Major systems	**629**	**563**	714
	3,339	**2,853**	2,659
Customer services			
Customer relations	**1,141**	**1,006**	1,003
Administration	**118**	**117**	115
Communications	**47**	**38**	35
	1,306	**1,161**	1,153
Human resources			
Human resources	**465**	**416**	422
Workplace health and safety	**179**	**167**	157
Timekeeping and payroll	**188**	**165**	177
Human resources training	**180**	**148**	130
	1,012	**896**	886
Debt and finance			
Long-term debt interest	**680**	**793**	793
Finance charges	**751**	**50**	9
	1,431	**843**	802
Total expenses from operations	**$ 85,847**	**$ 84,493**	$ 81,837

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2018 Budget	2018 Actual	2017 Actual
Transfers to other funds (Note 12)			
Transfer to Environmental Projects Reserve	**$ 23,561**	**23,561**	$ 18,367
Utility dividend transfer to General Revenue Fund	**22,728**	**$ 22,728**	20,652
Transfer to Sewer System Rehabilitation Reserve	**18,000**	**13,000**	19,000
Transfer to Land Drainage System - Capital	**-**	**6,690**	10,672
Transfer to Land Drainage System - Operating	**5,696**	**4,161**	-
	69,985	**70,140**	68,691
Total expenses	**$ 155,832**	**$ 154,633**	$ 150,528

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2018 Budget	**2018 Actual**	2017 Actual
Transfers to other funds	**$ 69,985**	**$ 70,140**	$ 68,691
Goods and services	**52,200**	**51,575**	49,416
Salaries	**18,548**	**17,630**	17,445
Other expenses	**13,338**	**13,228**	13,256
Employee benefits	**3,483**	**3,414**	3,395
Interest on long-term debt	**680**	**793**	793
Finance charges	**751**	**50**	9
Recoveries	**(3,153)**	**(2,197)**	(2,477)
Total expenses	**$ 155,832**	**$ 154,633**	$ 150,528

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2018 Actual	2017 Actual
Revenues		
Transfers		
Provincial and Federal capital transfers	**$ 18,421**	$ 17,323
Sewer System Rehabilitation Reserve	**13,071**	22,265
Environmental Projects Reserve	**12,094**	17,860
General Capital	**3,497**	1,127
	47,083	58,575
Developer contributions-in-kind	**18,334**	13,283
Total revenues from capital	**65,417**	71,858
Expenses		
Amortization	**23,758**	23,076
Transfer to Land Drainage System	**13,358**	-
Capital maintenance	**1,477**	1,625
Transfer to Waterworks System	**934**	100
Loss on disposal of tangible capital assets	**84**	149
Total expenses from capital	**39,611**	24,950
Net surplus from capital	**$ 25,806**	$ 46,908

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General				
	Land	Land Improvements	Buildings	Equipment	Information Technology
Cost					
Balance, beginning of year	$ 1,428	$ 806	$ 989	$ 526	$ 693
Add: Additions during the year	-	-	-	-	555
Less: Disposals during the year	-	-	-	-	-
Balance, end of year	1,428	806	989	526	1,248
Accumulated amortization					
Balance, beginning of year	-	139	648	386	261
Add: Amortization	-	81	11	27	87
Less: Accumulated amortization on disposals	-	-	-	-	-
Balance, end of year	-	220	659	413	348
Net Book Value of Tangible Capital Assets	$ 1,428	$ 586	$ 330	$ 113	$ 900

Schedule 5

Underground Networks	Sewage Treatment Plants and Lift Stations	Assets Under Construction	**2018**	2017
Infrastructure			**Totals**	
$ 1,086,381	$ 436,871	$ 142,366	**$ 1,670,060**	$ 1,582,520
31,185	18,713	42,264	**92,717**	88,638
(1,145)	-	-	**(1,145)**	(1,098)
1,116,421	455,584	184,630	**1,761,632**	1,670,060
381,545	195,243	-	**578,222**	556,095
15,309	8,243	-	**23,758**	23,076
(1,061)	-	-	**(1,061)**	(949)
395,793	203,486	-	**600,919**	578,222
$ 720,628	$ 252,098	$ 184,630	**$ 1,160,713**	$ 1,091,838

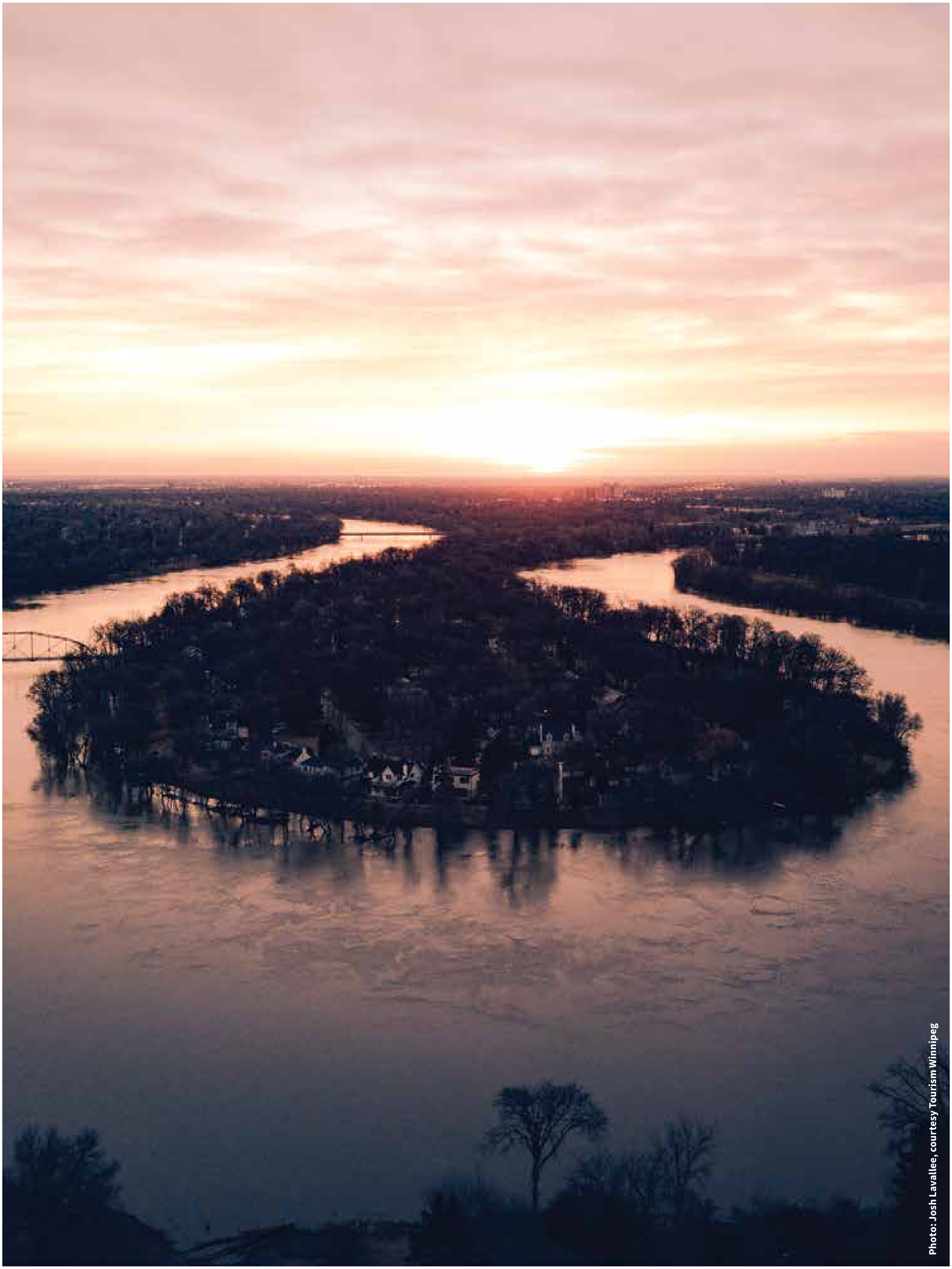

Photo: Josh Lavallee, courtesy Tourism Winnipeg

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

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 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 Landfill Rehabilitation Reserves.

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road Resource Management Facility (BRRMF) and two other privately operated class 1 landfills in the capital region. The commercial tipping fee is $78.00 per tonne. Commercial tonnage coming to BRRMF has decreased approximately 5% from 2017. In 2018 waste was also received from Falcon Lake and Hecla Island Provincial Parks and the Rural Municipality of Springfield.

Waste minimization programs include multi-material residential recycling for single-family and multi-family residences, depot recycling, "Let's Chip-In" (seasonal-use 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 2018, the City realized $11.9 million in revenue (2017 - $14.8 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.

Waste diversion initiatives are also funded through the waste diversion user fee. In 2018 this fee is $0.1575 per day (2017 - $0.1555). These monies are used in part to operate the 4R Winnipeg Depot program. The first depot location opened in 2016 at the Brady Road Resource Management Facility. The second depot location opened in 2017 at 1120 Pacific Ave. The third depot location opened in 2018 at 429 Panet Road.

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

FIVE-YEAR REVIEW

December 31
(unaudited)

	2018	2017	2016	2015	2014
Solid Waste (tonnes)					
Single family residential	**119,837**	120,300	121,826	124,838	121,601
Multi-family and small commercial	**52,204**	51,909	52,454	53,007	54,409
Large commercial / industrial	**86,601**	91,591	91,544	95,637	96,832
Other (1)	**71,438**	88,891	95,018	120,208	117,419
Charitable organization	**2,484**	2,635	2,822	2,138	2,735
Total landfill tonnage	**332,564**	355,326	363,664	395,828	392,996
Residential small loads Brady 4R Depot Number of loads	**82,722**	69,658	80,439	93,220	91,968
Residential small loads Other 4R Depots (2) Number of loads	**72,063**	18,836	-	-	-
Compostable yard waste Total tonnage	**33,041**	28,528	34,123	32,947	29,754
Recyclables (tonnes)					
Blue cart	**47,054**	47,701	48,610	49,504	48,960
Depots/apartments	**5,499**	6,476	6,400	6,193	5,504
Total recyclables	**52,553**	54,177	55,010	55,697	54,464
Leachate removed Total kilolitres	**39,541**	53,930	65,360	72,475	60,812

(1) Includes tonnage for small loads on an estimated weight of 500kg per load entering the landfill for the years 2013-2015. In 2016, with the opening of the 4R Winnipeg Depot, all small loads were weighed.
(2) The 4R Winnipeg Depots are located at 1120 Pacific Avenue and 429 Panet Road. 429 Panet Road opened in February 2018. There is no garbage collection at these sites.

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

STATEMENT OF FINANCIAL POSITION

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

	2018	2017
ASSETS		
Current		
Cash	**$ 122**	$ 309
Due from General Revenue Fund (Note 3)	**7,784**	11,809
Accounts receivable (Note 4)	**8,844**	10,591
	16,750	22,709
Tangible capital assets (Note 5)	**45,790**	41,541
	$ 62,540	$ 64,250
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 4,795**	$ 3,996
Current portion of long-term debt (Note 7)	**2,304**	2,246
	7,099	6,242
Long-term debt (Note 7)	**23,360**	25,674
	30,459	31,916
ACCUMULATED SURPLUS (Note 8)	**32,081**	32,334
	$ 62,540	$ 64,250

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)

	2018 Budget	2018 Actual	2017 Actual
REVENUES (Schedule 1)			
Sales of services and regulatory fees	**$ 41,180**	**$ 38,467**	$ 41,896
Government transfers and other	**4,963**	**5,516**	4,850
Interest	**178**	**383**	353
Total revenues	**46,321**	**44,366**	47,099
EXPENSES (Schedules 2 and 3)			
Solid waste operations	**46,030**	**42,011**	37,055
Debt and finance	**3,092**	**833**	890
Employee benefits, taxes and other (Note 9)	**605**	**698**	497
Total expenses from operations	**49,727**	**43,542**	38,442
Surplus (deficit) for the year from operations	**(3,406)**	**824**	8,657
Transfers to other funds (Note 10)	**348**	**327**	1,348
Surplus (deficit) from operations after transfers to other funds	**(3,754)**	**497**	7,309
Net deficit from capital (Schedule 4)	**-**	**(750)**	(2,613)
Net (deficit) surplus for the year	**$ (3,754)**	**(253)**	4,696
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**32,334**	27,638
ACCUMULATED SURPLUS, END OF YEAR		**$ 32,081**	$ 32,334

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)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ (253)**	$ 4,696
Non-cash items related to operations		
Amortization	**2,864**	2,556
Working capital from operations	**2,611**	7,252
Change in net working capital other than cash	**2,546**	220
	5,157	7,472
FINANCING		
Repayment of loan	**(2,083)**	(2,026)
Due from General Revenue Fund	**4,025**	3,165
Interest on funds on deposit with The Sinking Fund of The City of Winnipeg ("The Sinking Fund")	**(10)**	(4)
Payments to The Sinking Fund for outstanding debt	**(163)**	(163)
	1,769	972
INVESTING		
Purchase of tangible capital assets	**(7,113)**	(8,415)
(Decrease) increase in cash	**(187)**	29
Cash position, beginning of year	**309**	280
Cash position, end of year	**$ 122**	$ 309

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. *Significant Accounting Policies*

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

Basis of accounting

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

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

a) Tangible capital assets

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

Land improvements	10 to 100 years
Building and improvements	10 to 50 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) Landfill Rehabilitation Reserve

City Council on December 15th, 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.

On December 12th, 2017, Council approved to terminate the Brady Landfill Site Rehabilitation Reserve effective January 1, 2018 and replace with a new Landfill Rehabilitation Reserve in accordance with section 289 of the City of Winnipeg Charter. The purpose of the new reserve be to provide funding, over time, for closure and post-closure landfill needs including leachate management, environmental monitoring and site restoration costs for all active and closed landfills maintained under the responsibility of the City.

The balance of funds in the Brady Landfill Site Rehabilitation Reserve were transferred to the new Landfill Rehabilitation Reserve effective January 1, 2018.

1. *Significant Accounting Policies (continued)*

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The transfer is based on $1.00 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 for the purpose of funding waste diversion programs and projects. The reserve is to be funded by surplus monies collected through the waste diversion user fee.

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 received are recognized in the fund financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City's behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

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, third party grants and the waste diversion user fee. The purpose of the Fund is to improve the cost accountability of the solid waste management system and to establish a financial structure to accommodate long-term planning and financing of solid waste management programs.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. 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, 2018 effective interest rate was 1.60% (2017 - 0.95%).

4. *Accounts Receivable*

	2018	2017
Landfill tipping, recycling and waste diversion	**$ 9,084**	$ 10,831
Allowance for doubtful accounts	**(240)**	(240)
	$ 8,844	$ 10,591

5. *Tangible Capital Assets*

	Net Book Value	
	2018	2017
Land	**$ 541**	$ 541
Land improvements	**23,156**	19,928
Building and improvements	**16,134**	13,549
Machinery and equipment	**5,424**	6,505
Information technology	**430**	488
	45,685	41,011
Assets under construction	**105**	530
	$ 45,790	$ 41,541

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

During the year, there were no write-downs of tangible capital assets (2017 - $nil). Interim financing charges capitalized during 2018 were $131 thousand (2017 - $151 thousand).

6. *Accounts Payable and Accrued Liabilities*

	2018	2017
Trade accounts payable	**$ 2,634**	$ 1,616
Waste Reduction and Recycling Support Levy	**1,666**	1,798
Other accrued liabilities	**472**	559
Accrued debenture interest payable	**23**	23
	$ 4,795	$ 3,996

7. *Long-Term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2018**	2017
2016-2045	June 1	3.303	WD4	5/2015	**$ 8,637**	$ 8,637
Equity in sinking fund (Note 7b)					**(340)**	(167)
Net Sinking Fund Debentures outstanding					**8,297**	8,470

7. *Long-Term Debt (continued)*

Other debt outstanding		
TD Commercial Bank loan with a maturity date of April 24, 2035 and an interest rate of 3.09%	**12,886**	13,484
TD Commercial Bank loan with a maturity date of November 13, 2021 and an interest rate of 2.63%	**4,481**	5,966
	17,367	19,450
Total Debt Outstanding	**25,664**	27,920
Current portion of debentures	**(163)**	(163)
Current portion of loan	**(2,141)**	(2,083)
Current Portion of Debt	**(2,304)**	(2,246)
Long-term Debt	**$ 23,360**	$ 25,674

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

	2019	2020	2021	2022	2023	2022 and Thereafter
Sinking fund debentures	$ -	$ -	$ -	$ -	$ -	$ 8,637
Other debt	2,141	2,200	2,049	677	698	9,602
	$ 2,141	$ 2,200	$ 2,049	$ 677	$ 698	$ 18,239

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 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 $0.8 million (2017 - $0.9 million).

8. *Accumulated Surplus*

	2018	2017
Invested in tangible capital assets	**$ 20,126**	$ 13,621
Retained earnings	**11,955**	18,713
	$ 32,081	$ 32,334

9. Employee Benefits, Taxes and Other

Property taxes

Property taxes represent full taxes paid to The City of Winnipeg General Revenue Fund. In 2018, the amount incurred was $50 thousand (2017 - $43 thousand).

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2018 is $300 thousand (2017 - $301 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, 2018 is estimated at $916 thousand (2017 - $720 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, 2018 at $198 thousand (2017 - $187 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, 2018 at $211 thousand (2017 - $213 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 2018, $444 thousand (2017 - $365 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, 2017 and has an actuarial surplus.

General Government charges

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2018 this amounted to $138 thousand (2017 - $138 thousand) and was transferred to the General Revenue Fund.

Rent

Included in various expense categories is an amount of $196 thousand (2017 - $253 thousand) that has been charged by the Municipal Accommodations Fund for the rental of office space.

10. Transfers to Other Funds

	2018	2017
Transfer to Landfill Rehabilitation Reserve	**$ 327**	$ 348
Transfer to Waste Diversion Reserve	**-**	1,000
	$ 327	$ 1,348

11. Related Party Transactions

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

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 1

REVENUES

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

	2018 Budget	2018 Actual	2017 Actual
Sales of services and regulatory fees			
Landfill tipping fees	**$ 13,430**	**$ 13,705**	$ 14,725
Recycling	**14,294**	**11,905**	14,762
Waste diversion user fee	**12,083**	**11,601**	11,318
Small load fees	**1,373**	**1,256**	1,091
	41,180	**38,467**	41,896
Government transfers and other			
Waste reduction support	**4,525**	**4,790**	4,747
Provincial support	**438**	**726**	103
	4,963	**5,516**	4,850
Interest			
Interest	**-**	**146**	93
Interest capitalized	**85**	**131**	151
Late payment charges and returned payments	**80**	**96**	105
Sinking fund earnings	**13**	**10**	4
	178	**383**	353
Total revenues	**$ 46,321**	**$ 44,366**	$ 47,099

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 2

EXPENSES

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

	2018 Budget	2018 Actual	2017 Actual
Solid waste operations			
Recycling	**$ 23,572**	**$ 23,432**	$ 17,945
Waste minimization	**10,015**	**8,704**	8,258
Brady Road Resource Management Facility	**9,312**	**7,915**	7,918
Landfill and environmental	**1,995**	**861**	1,693
Support services	**789**	**837**	932
Administration	**347**	**262**	309
	46,030	**42,011**	37,055
Debt and finance			
Interest on long-term debt	**833**	**833**	890
Amortization	**2,259**	**-**	-
	3,092	**833**	890
Employee benefits, taxes and other			
Employee benefits	**272**	**366**	184
General government charges	**138**	**138**	138
Provincial payroll tax	**123**	**125**	114
Property taxes	**48**	**50**	43
Insurance and damage claims	**16**	**16**	17
Other	**8**	**3**	2
Recoveries	**-**	**-**	(1)
	605	**698**	497
Total Expenses from Operations	**49,727**	**43,542**	38,442
Transfers to other funds (Note 10)			
Transfer to Brady Landfill Rehabilitation Reserve	**348**	**327**	348
Transfer to Waste Diversion Reserve	**-**	**-**	1,000
	348	**327**	1,348
Total expenses	**$ 50,075**	**$ 43,869**	$ 39,790

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 3

EXPENSES BY OBJECT

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

	2018 Budget	**2018 Actual**	2017 Actual
Goods and services	**$ 39,862**	**$ 37,026**	$ 31,956
Salaries	**5,514**	**4,895**	4,433
Employee benefits	**1,181**	**1,181**	1,012
Interest on long-term debt	**3,092**	**832**	889
Transfers	**348**	**327**	1,348
Finance charges	**125**	**151**	138
Other expenses	**615**	**629**	634
Recoveries	**(662)**	**(1,172)**	(620)
Total expenses	**$ 50,075**	**$ 43,869**	$ 39,790

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL

Schedule 4

DEFICIT FROM CAPITAL

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

	2018 Actual	2017 Actual
Revenues		
Transfer from Waste Diversion Reserve Fund	**$ 2,069**	$ 426
Transfer from Landfill Rehabilitation Reserve Fund	**107**	-
Provincial Support	**-**	30
Total revenues from capital	**2,176**	456
Expenses		
Amortization	**2,864**	2,556
Capital maintenance	**62**	513
Total expenses from capital	**2,926**	3,069
Net deficit from capital	**$ (750)**	$ (2,613)

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	$ 26,375	$ 14,683	$ 13,859
Add: Additions (completions) during the year	-	4,309	3,229	-
Balance, end of year	541	30,684	17,912	13,859
Accumulated amortization				
Balance, beginning of year	-	6,447	1,134	7,354
Add: Amortization	-	1,081	644	1,081
Balance, end of year	-	7,528	1,778	8,435
Net Book Value of Tangible Capital Assets	$ 541	$ 23,156	$ 16,134	$ 5,424

Schedule 5

		Totals	
Information Technology	**Assets Under Construction**	**2018**	2017
$ 625	**$ 530**	**$ 56,613**	$ 48,198
-	**(425)**	**7,113**	8,415
625	**105**	**63,726**	56,613
137	**-**	**15,072**	12,516
58	**-**	**2,864**	2,556
195	**-**	**17,936**	15,072
$ 430	**$ 105**	**$ 45,790**	$ 41,541

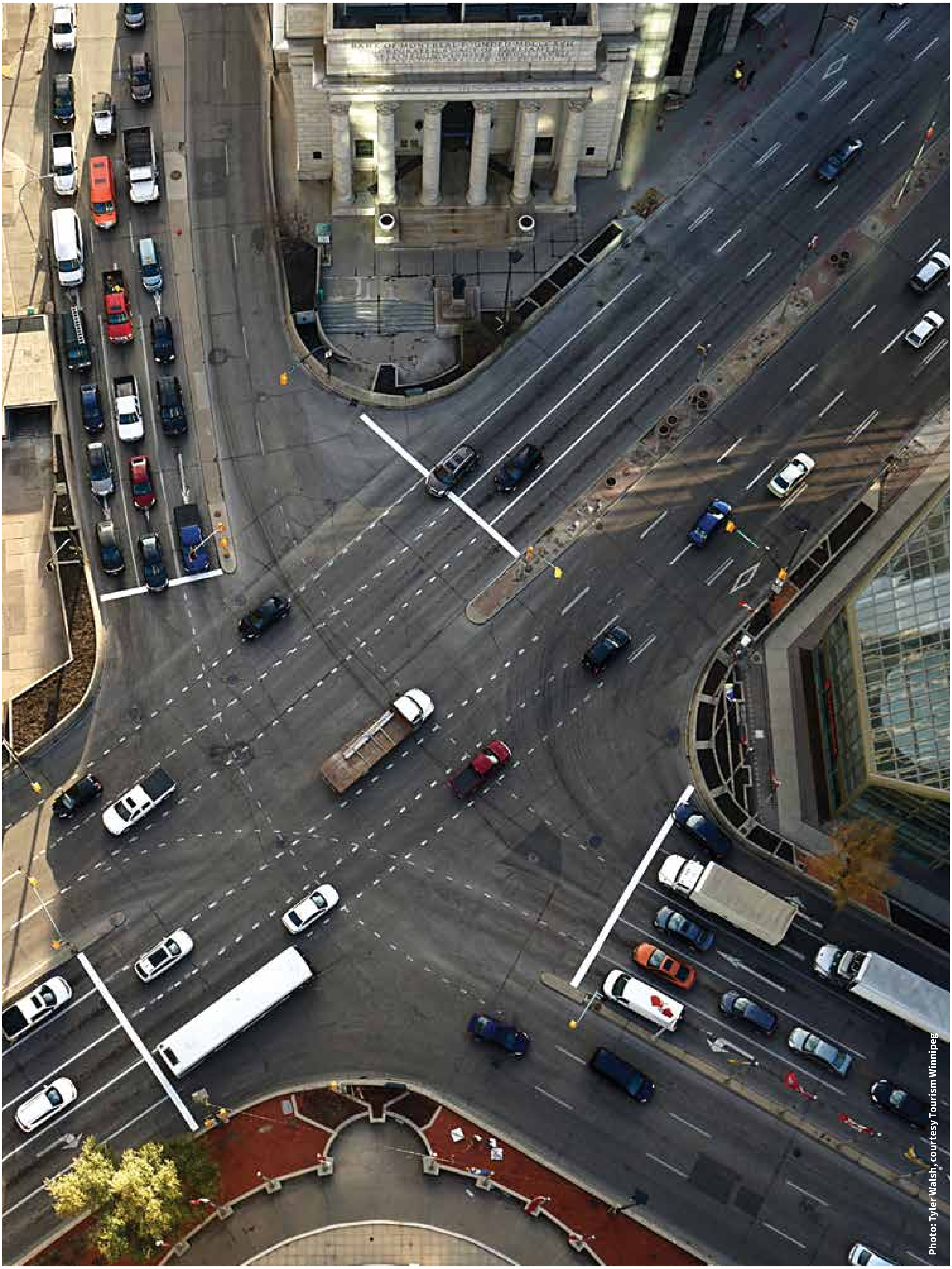
Photo: Tyler Walsh, courtesy Tourism Winnipeg

THE CITY OF WINNIPEG
LAND DRAINAGE 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.

Prior to 2012, land drainage costs were accounted for and funded through the mill rate tax-supported budget. Since 2012, land drainage operating and capital programs, including debt servicing, have been fully funded by a transfer from the Sewage Disposal Fund, utilizing a portion of the sewer rate. Effective January 1, 2018, in order to facilitate transparency and account for utility funded operating and capital costs separate from that of tax supported, a new Fund was established for the Land Drainage System. The fund does not have employees or sales revenues and is entirely funded by the Sewage Disposal System.

The objective of the Land Drainage System is to provide property owners with storm and flood water control in order to prevent flood damage to property. The Land Drainage System monitors riverbank conditions including undertaking stabilization and erosion protection along city owned riverbank lands. The Land Drainage System budget provides funding for wastewater flood pumps, wastewater storm retention and local land drainage maintenance.

THE CITY OF WINNIPEG
LAND DRAINAGE SYSTEM

FIVE-YEAR REVIEW

December 31
(unaudited)

Collector network:	**2018**	2017	2016	2015	2014
Number of stormwater retention basins[1]	**102**	92	86	86	82
Number of permanent of flood pumping stations	**31**	31	31	31	34
Number of stormwater retention basin pumping stations	**5**	5	5	5	5
Kilometers of land drainage sewer mains	**1,243**	1,218	1,206	1,183	1,178
Kilometers of storm relief mains [2]	**184**	188	188	187	187
Peak river elevations (>8.5 feet) - spring	**15.67**	19.31	16.5	14.2	19.10
Peak river elevations (>8.5 feet) - summer	**7.61**	7.15	12.1	11.5	17.60
Meters of city owned riverbank protected annually	**150**	70	360	620	N/A
Number of waterway permits issued	**136**	116	128	128	N/A

Note:
1 Increase - 10 stormwater retention basins came off warranty added to inventory in 2018.
2 Decrease - 4328.29 m of storm relief sewers changed to land drainage sewers.

THE CITY OF WINNIPEG
LAND DRAINAGE SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2018
ASSETS	
Current	
Due from General Revenue Fund (Note 3)	**$ 9,538**
Prepaid expenses	**1**
	9,539
Long-term receivable	**9,532**
Tangible capital assets (Note 4)	**856,162**
	$ 875,233
LIABILITIES	
Current	
Accounts payable and accrued liabilities (Note 5)	**$ 11,524**
Current portion of long-term debt (Note 6)	**704**
	12,228
Long-term debt (Note 6)	**2,279**
	14,507
ACCUMULATED SURPLUS (Note 7)	**860,726**
	$ 875,233

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
LAND DRAINAGE SYSTEM

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2018 Budget	2018 Actual
REVENUES (Schedule 1)		
Transfer from Sewage Disposal (Note 8)	$ 5,696	$ 4,161
Government transfers, permits and other	250	318
Interest	-	33
Total revenues	5,946	4,512
EXPENSES (Schedules 2 and 3)		
Flood pumping stations	2,208	2,045
Storm water retention	1,233	958
Support services allocation, debt and finance	1,019	870
Local land drainage maintenance	591	469
Debt and finance	844	120
Lot grades	51	50
Total expenses from operations	5,946	4,512
Surplus for the year from operations	-	-
Net surplus (deficit) from capital (Schedule 4)	(1,240)	860,726
Net surplus (deficit) for the year	$ (1,240)	860,726
ACCUMULATED SURPLUS, BEGINNING OF YEAR		-
ACCUMULATED SURPLUS, END OF YEAR		$ 860,726

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
LAND DRAINAGE SYSTEM

STATEMENT OF CASH FLOWS

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

		2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$**	**860,726**
Non-cash items related to operations		
Amortization		**18,020**
Working capital from operations		**878,746**
Change in net working capital other than cash		**4,974**
		883,720
FINANCING		
Due from General Revenue Fund		**(9,538)**
		(9,538)
INVESTING		
Purchase of tangible capital assets		**(52,326)**
Transfer of assets from General Capital Fund		**(821,856)**
		(874,182)
CASH, BEGINNING OF YEAR		**-**
CASH, END OF YEAR	**$**	**-**

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
LAND DRAINAGE SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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 receipt of goods or services and/or the creation of a legal upon obligation to pay with the following exceptions:

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.

c) 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.

2. Status of the Land Drainage System

Land Drainage System Utility is a new fund created in 2018. The Utility is primarily funded by the Sewage Disposal System which provides financing for the flood pumping stations, storm water retention, support services allocation, debt and finance, local land drainage maintenance, and lot grades. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the City's land drainage system.

3. *Due from other City of Winnipeg Funds*

a) 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, 2018 effective interest rate was 1.60%.

b) General Capital Fund - capital loan receivable

The receivable funds capital projects owed to the Water and Waste Department to be refunded as capital costs are incurred. In prior years funds from Sewage Disposal Fund were transferred to mill rate supported General Capital Fund, to be used to fund the Land Drainage System budgeted capital projects. Now that the Land Drainage System is no longer part of the General Capital Fund, the unused funding is to be refunded to the Land Drainage System as capital costs are incurred. This will be treated as a loan between the General Capital Fund and the Land Drainage System.

4. *Tangible Capital Assets*

		Net Book Value 2018
Land	$	**881**
Land improvement		**315**
Information technology		**1,957**
Underground networks		**837,832**
Sewage treatment plants and lift stations		**15,153**
Assets under construction		**24**
	$	**856,162**

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

Underground networks contributed to the City and recorded in the Land Drainage System Fund totaled $27.4 million in 2018 and were capitalized at their fair value at the time of receipt.

5. *Accounts Payable and Accrued Liabilities*

		2018
Deferred revenue and other	$	**6,690**
Performance deposits		**4,101**
Trade accounts payable		**733**
	$	**11,524**

6. *Long-term Debt*

Debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	**Amount of Debt 2018**
2009-2019	6-Oct	2.870	WA	31/2009	**$ 453**

Other debt outstanding
TD Commercial Bank loan with a maturity date of December 22, 2027 and an interest rate of 2.87%

TD Commercial Bank loan with a maturity date of December 22, 2027 and an interest rate of 2.87%	**$ 2,530**
Total Debt Outstanding	**2,983**
Current portion of debentures	**(453)**
Current portion of long-term debt	**(251)**
Current Portion of Debt	**(704)**
Net Long-Term Debt	**$ 2,279**

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

	2019	2020	2021	2022	2023	Thereafter
Debentures	$ 453	$ -	$ -	$ -	$ -	$ -
Other debt	251	259	266	273	281	1,200
	$ 704	$ 259	$ 266	$ 273	$ 281	$ 1,200

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) Cash paid for interest during the year was $0.2 million.

7. *Accumulated Surplus*

	2018
Invested in tangible capital assets	**$ 861,432**
Retained earnings	**(706)**
	$ 860,726

8. *Land Drainage Revenue*

Land Drainage System is fully funded by Sewage Disposal System.

9. Taxes, Employee Benefits and Other

Employee benefits

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 Land Drainage utility does not have employees therefore no unrecorded liability at December 31, 2018.

Insurance and damage claims

Included in expenses is $9.2 thousand recovered from the City of Winnipeg Insurance Reserve.

10. Related Party Transactions

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

11. Comparative Figures

Comparative figures have not been provided as the Fund was established in 2018.

THE CITY OF WINNIPEG
LAND DRAINAGE SYSTEM

Schedule 1

REVENUES

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

	2018 Budget	2018 Actual
Transfer from sewage disposal	$ 5,696	$ 4,161
Government transfers, permits and other		
Building lot grade permits	250	318
	250	318
Interest	-	33
Total revenues	$ 5,946	$ 4,512

THE CITY OF WINNIPEG
LAND DRAINAGE SYSTEM

Schedule 2

EXPENSES

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

	2018 Budget	2018 Actual
Collection, interception and treatment		
Local land drainage maintenance	$ 2,208	$ 2,045
Support services allocation, debt and finance	1,233	958
Flood pumping stations	1,019	870
Storm water retention	591	469
Lot grades	51	50
	5,102	4,392
Debt and finance		
Long-term debt interest	826	119
Finance charges	18	1
	844	120
Total expenses from operations	$ 5,946	$ 4,512

THE CITY OF WINNIPEG
LAND DRAINAGE SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2018 Budget	2018 Actual
Goods and services	$ 5,094	$ 4,398
Interest on long-term debt	826	119
Salaries	8	3
Finance charges	18	1
Other expenses	-	(9)
Total expenses	$ 5,946	$ 4,512

THE CITY OF WINNIPEG
LAND DRAINAGE SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

		2018 Actual
Revenues		
Transfer from General Capital	**$**	**839,007**
Transfer from Sewage Disposal		**19,021**
Transfer utility capital - Unallocated		**(6,690)**
		851,338
Developer contributions-in-kind		**27,408**
Total revenues from capital		**878,746**
Expenses		
Amortization		**18,020**
Total expenses from capital		**18,020**
Net surplus from capital	**$**	**860,726**

THE CITY OF WINNIPEG
LAND DRAINAGE SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General		
	Land	Land Improvements	Information Technology
Cost			
Balance, beginning of year	$ **862**	**$ 413**	**$ 4,991**
Add: Additions during the year	**19**	**5**	**218**
Balance, end of year	**881**	**418**	**5,209**
Accumulated amortization			
Balance, beginning of year	**-**	**62**	**2,990**
Add: Amortization	**-**	**41**	**262**
Balance, end of year	**-**	**103**	**3,252**
Net Book Value of Tangible Capital Assets	$ **881**	**$ 315**	**$ 1,957**

Schedule 5

Infrastructure			Totals
Underground Networks	Lift Stations	Assets Under Construction	**2018**
$ 1,263,470	**$ 23,317**	**$ 24**	**$ 1,293,077**
51,763	**321**	**-**	**52,326**
1,315,233	**23,638**	**24**	**1,345,403**
460,090	**8,079**	**-**	**471,221**
17,311	**406**	**-**	**18,020**
477,401	**8,485**	**-**	**489,241**
$ 837,832	**$ 15,153**	**$ 24**	**$ 856,162**


Photo: City of Winnipeg

2018 Special Operating Agencies
Detailed Financial Statements

Photo: City of Winnipeg

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2018	2017
FINANCIAL ASSETS		
Cash	**$ 8,466**	$ 28,069
Accounts receivable	**246**	319
Due from the City of Winnipeg - General Revenue Fund (Note 3)	**2,922,215**	2,325,519
	2,930,927	2,353,907
LIABILITIES		
Accounts payable and accrued liabilities	**347,889**	391,814
Deferred revenue	**1,273,318**	1,254,782
Vacation and overtime payable	**76,133**	85,753
Retirement allowances and compensated absences (Note 4a)	**129,000**	127,000
	1,826,340	1,859,349
NET FINANCIAL ASSETS	**1,104,587**	494,558
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	**25,174**	44,702
ACCUMULATED SURPLUS (Note 6)	**$ 1,129,761**	$ 539,260

Commitments (Note 7)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31

	Budget 2018	Actual 2018	Actual 2017
REVENUES			
Regulation fees	**$ 2,351,650**	**$ 2,454,573**	$ 2,482,791
Transfer (Note 8)	**1,295,396**	**1,295,396**	1,319,574
Sales of goods and services	**71,297**	**71,425**	63,172
Government transfers	**27,557**	**26,961**	27,557
Other revenue	**40,000**	**169,691**	64,913
Total Revenues	**3,785,900**	**4,018,046**	3,958,007
EXPENSES			
Salaries and employee benefits	**1,828,833**	**1,586,802**	1,591,382
Grants, transfers and other	**866,601**	**865,852**	893,008
Services (Note 9)	**402,756**	**276,580**	356,464
Administrative expenses (Note 9)	**255,586**	**255,646**	255,289
Rent (Note 9)	**215,254**	**215,254**	212,405
Materials, parts and supplies	**153,598**	**138,076**	204,319
Debt and finance charges	**41,000**	**37,851**	39,353
Assets and purchases	**8,708**	**31,956**	19,248
Amortization	**32,000**	**19,528**	27,713
Interest (Note 3)	**186**	**-**	-
Total Expenses	**3,804,522**	**3,427,545**	3,599,181
Excess (deficiency) of Revenues Over Expenses	**(18,622)**	**590,501**	358,826
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**539,260**	**539,260**	180,434
ACCUMULATED SURPLUS, END OF YEAR (Note 6)	**$ 520,638**	**$ 1,129,761**	$ 539,260

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:

	2018	2017
OPERATING		
Excess of revenues over expenses	**$ 590,501**	$ 358,826
Non-cash charges to operations		
Amortization	**19,528**	27,713
Retirement allowances and compensated absences	**2,000**	12,000
	612,029	398,539
Net change in non-cash working capital balances related to operations	**(34,936)**	100,834
Cash provided by operating activities	**577,093**	499,373
CAPITAL		
Acquisition of tangible capital assets	**-**	(27,396)
FINANCING		
Change in due from The City of Winnipeg - General Revenue Fund	**(596,696)**	(473,369)
Decrease in cash	**(19,603)**	(1,392)
CASH, BEGINNING OF YEAR	**28,069**	29,461
CASH, END OF YEAR	**$ 8,466**	$ 28,069

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the years ended December 31

	Budget 2018	**Actual 2018**	Actual 2017
Excess of Revenues Over Expenses	**$ (18,622)**	**$ 590,501**	$ 358,826
Amortization of tangible capital assets	**32,000**	**19,528**	27,713
Change in inventories and prepaid expenses	**-**	**-**	74,119
Acquisition of tangible capital assets	**-**	**-**	(27,396)
INCREASE IN NET FINANCIAL ASSETS	**13,378**	**610,029**	433,262
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**494,558**	**494,558**	61,296
NET FINANCIAL ASSETS, END OF YEAR	**$ 507,936**	**$ 1,104,587**	$ 494,558

See accompanying notes and schedule to the financial statements

1. *Description of Business*

Animal Services - Special Operating Agency (the "Agency") commenced operations on January 1, 2000. Goals since the establishment of the Agency have been to become financially self-sustaining to the greatest degree possible and to improve both the services provided to the public and the public's perception of Animal Services.

2. *Significant Accounting Policies*

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

Basis of accounting

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

Non-financial assets

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

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%

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.

2. Significant Accounting Policies (continued)

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.

Accounting policy changes

The Public Sector Accounting Board issued new standards, PS 2200 Related party disclosures and PS 3420 Inter-entity transactions. The new standards apply to the Agency for the fiscal year beginning January 1, 2018. As a result of this adoption, no material impact on the consolidated financial statements occurred.

3. 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. Consequently, the Agency 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 charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account. The December 31, 2018 effective interest rate was 1.60% (2017 - 0.85%).

4. Employee Benefits

a) Retirement allowances and compensated absences

	2018	2017
Retirement allowances - accrued benefit liability	**$ 77,000**	$ 80,000
Compensated absences	**52,000**	47,000
	$ 129,000	$ 127,000

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 18.6 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 December 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2018 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.

4. *Employee Benefits (continued)*

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

	2018		2017	
	Retirement allowances	**Compensated absences**	Retirement allowances	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	**$ 47,000**	**$ 60,000**	$ 83,000	$ 73,000
Current service cost	**5,000**	**10,000**	6,000	9,000
Interest cost	**2,000**	**2,000**	3,000	2,000
Benefit payments	**(8,000)**	**(7,000)**	-	(8,000)
Net actuarial (gain)/loss	**2,000**	**(1,000)**	(45,000)	(16,000)
Balance, end of year	**48,000**	**64,000**	47,000	60,000
Unamortized net actuarial (gain)/loss	**29,000**	**(12,000)**	33,000	(13,000)
Accrued benefit liability	**$ 77,000**	**$ 52,000**	$ 80,000	$ 47,000
Benefit expenses:				
Current service cost	**$ 5,000**	**$ 10,000**	$ 6,000	$ 9,000
Interest cost	**2,000**	**2,000**	3,000	2,000
Amortization of net actuarial (gain)/loss	**(2,000)**	**-**	-	-
	$ 5,000	**$ 12,000**	$ 9,000	$ 11,000
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 80,000**	**$ 47,000**	$ 71,000	$ 44,000
Benefit expense	**5,000**	**12,000**	9,000	11,000
Benefit payments	**(8,000)**	**(7,000)**	-	(8,000)
Balance, end of year	**$ 77,000**	**$ 52,000**	$ 80,000	$ 47,000

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

	2018	2017
Valuation interest rate	**3.25%**	3.00%
General increases in pay	**2.50%**	2.50%
Expected average remaining service life	**18.6 years**	18.6 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, $122,430 (2017 - $122,497) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2017 and it has an actuarial surplus.

5. Tangible Capital Assets

	Net Book Value 2018	Net Book Value 2017
Computer equipment	**$ 18,493**	$ 24,657
Computer Software	**6,681**	20,045
	$ 25,174	$ 44,702

For additional information, see Schedule of Tangible Capital Assets.

6. Accumulated Surplus

	Actual 2018	Actual 2017
Invested in tangible capital assets	**$ 25,174**	$ 44,702
Operating	**1,104,587**	494,558
	$ 1,129,761	$ 539,260

7. Commitments

The Agency and the Winnipeg Humane Society will enter into a contract effective January 1, 2019 to December 31, 2021. 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 $652,273 per year.

8. Transfer from The City of Winnipeg

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

2014	$ 1,404,276
2015	1,404,276
2016	1,378,836
2017	1,319,574
2018	1,295,396

9. Related Party Transactions

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

Included in the Agency's expenditures is a transfer to The City of Winnipeg Municipal Accommodations Fund for rent of $215,254 (2017 - $212,405) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $176,860 (2017 - $176,860). Also included are lease costs of $111,351 (2017 - $110,306) to The City of Winnipeg Fleet Management - Special Operating Agency and $78,786 (2017 - $78,429) 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	2018 Total	2017 Total
Cost						
Balance, Beginning of year	**$ 176,850**	**$ 121,375**	**$ 52,911**	**$ 66,818**	**$ 417,954**	$ 390,558
Add:						
Additions during the year	**-**	**-**	**-**	**-**	**-**	27,396
Less:						
Disposals during the year	**-**	**-**	**-**	**-**	**-**	-
Balance, end of year	**176,850**	**121,375**	**52,911**	**66,818**	**417,954**	417,954
Accumulated amortization						
Balance, Beginning of year	**152,193**	**121,375**	**52,911**	**46,773**	**373,252**	345,539
Add:						
Amortization	**6,164**	**-**	**-**	**13,364**	**19,528**	27,713
Less:						
Accumulated amortization on disposals	**-**	**-**	**-**	**-**	**-**	-
Balance, end of year	**158,357**	**121,375**	**52,911**	**60,137**	**392,780**	373,252
Net Book Value of Tangible Capital Assets	**$ 18,493**	**$ -**	**$ -**	**$ 6,681**	**$ 25,174**	$ 44,702

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

On March 20, 1997, City Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies ("SOA") as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

On September 24, 1997, City Council adopted the strategic direction with regard to SOAs identified in the report entitled "Special Operating Agencies Initiative". Pursuant to the foregoing process, the Community Services Department prepared a feasibility study which recommended the establishment of a SOA with the mandate to manage and be accountable for maximizing the return on City-owned golf course assets.

On February 23, 2000, City Council directed that a Business Plan and Operating Charter for a Golf Services SOA be prepared and further that the municipal golf course operation be realigned under the purview of the Planning, Property and Development Department.

The SOA manages the golf courses operated by the City and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2018	2017
FINANCIAL ASSETS		
Accounts receivable (Note 3)	**$ 129**	$ 134
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 4)	**5,941**	6,495
Accounts payable and accrued liabilities	**84**	109
Deferred revenue	**131**	112
Debt (Note 5)	**2,791**	2,830
Accrued employee benefits (Note 6a)	**111**	172
	9,058	9,718
NET FINANCIAL LIABILITIES	**(8,929)**	(9,584)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**22,833**	22,960
Inventories	**50**	47
	22,883	23,007
ACCUMULATED SURPLUS (Note 8)	**$ 13,954**	$ 13,423

Commitments and Contingencies (Note 10)

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 2018	Actual 2018	Actual 2017
REVENUES			
Green fees	$ **1,728**	$ **1,539**	$ 1,455
Transfer from The City of Winnipeg - General Revenue Fund	**730**	**730**	462
Equipment rentals	**354**	**368**	334
Net revenue from leasing operations	**219**	**179**	172
Merchandise sales	**50**	**51**	54
Concessions	**46**	**41**	39
Transfer from General Capital Fund	**-**	**27**	-
Transfer from The City of Winnipeg - Golf Course Reserve Fund	**-**	**-**	344
Transfer from The City of Winnipeg - Contributions in Lieu of Land Dedication Reserve Fund	**-**	**-**	34
Other	**48**	**75**	59
Total Revenues	**3,175**	**3,010**	2,953
EXPENSES			
Salaries and employee benefits (Note 6)	**1,530**	**1,246**	1,288
Services (Note 9)	**718**	**650**	809
Amortization	**240**	**240**	238
Supplies	**219**	**213**	261
Interest (Notes 4 and 5)	**30**	**89**	49
Other	**58**	**41**	43
Total Expenses	**2,795**	**2,479**	2,688
Annual Surplus	$ **380**	**531**	265
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**13,423**	13,158
ACCUMULATED SURPLUS, END OF YEAR		$ **13,954**	$ 13,423

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)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus	**$ 531**	$ 265
Non-cash charges to operations		
Amortization	**240**	238
Retirement allowance and compensated absences	**(63)**	3
	708	506
Net change in non-cash working capital balances related to operations	**(2)**	58
Cash provided by operating activities	**706**	564
CAPITAL		
Acquisition of tangible capital assets	**(113)**	(336)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(554)**	(192)
Repayment of debt - The City of Winnipeg	**(39)**	(36)
Cash used in financing activities	**(593)**	(228)
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 2018	Actual 2018	Actual 2017
ANNUAL SURPLUS	**$ 380**	**$ 531**	$ 265
Amortization of tangible capital assets	**240**	**240**	238
Acquisition of tangible capital assets	**(342)**	**(113)**	(336)
Change in inventories	**(1)**	**(3)**	-
DECREASE IN NET FINANCIAL LIABILITIES	**277**	**655**	167
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(9,294)**	**(9,584)**	(9,751)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (9,017)**	**$ (8,929)**	$ (9,584)

See accompanying notes and schedule to the financial statements

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 annual surplus, 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	5 to 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 $36 thousand (2017 - $42 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.

g) Accounting policy changes

The Public Sector Accounting Board issued new standards, PS 2200 Related party disclosures and PS 3420 Inter-entity transactions. The new standards apply to the Agency for the fiscal year beginning January 1, 2018. As a result of this adoption, no material impact on the financial statements occurred. See note 9 for applicable disclosures.

3. *Accounts Receivable*

	2018	2017
Trade accounts receivable	**$ 548**	$ 553
Allowance for doubtful accounts	**(419)**	(419)
	$ 129	$ 134

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

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is 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, 2018 effective interest rate was 1.80% (2017 - 0.85%).

Interest paid to The City of Winnipeg - General Revenue Fund was $89 thousand (2017 - $49 thousand).

5. *Debt*

	2018	2017
The City of Winnipeg - General Revenue Fund		
Start-up loan, non-interest bearing	**$ 2,791**	$ 2,830

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

2019	$ 41
2020	43
2021	46
2022	49
2023	51
Thereafter	2,561
	$ 2,791

6. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	2018	2017
Retirement allowance - accrued liability	**$ 31**	$ 104
Vacation	**33**	31
Compensated absences	**47**	37
	$ 111	$ 172

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 amendments, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 15.3 years (2017 - 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 the actuarial gains or losses occur.

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, 2018 calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2018 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.

6. Accrued Employee Benefits (continued)

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

	2018		2017	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	**$ 87**	**$ 81**	$ 78	$ 77
Current service cost	**6**	**11**	5	10
Interest cost	**3**	**3**	2	2
Benefit payments	**(76)**	**(10)**	(8)	(9)
Amortization of net actuarial loss (gain)	**66**	**(2)**	10	1
Balance, end of year	**86**	**83**	87	81
Unamortized net actuarial gain (loss)	**(55)**	**(36)**	17	(44)
Accrued benefit liability	**$ 31**	**$ 47**	$ 104	$ 37
Benefit expense consists of the following:				
Current service cost	**$ 6**	**$ 11**	$ 5	$ 10
Interest cost	**3**	**3**	2	2
Amortization of net actuarial (gain) loss	**(6)**	**6**	(6)	7
	$ 3	**$ 20**	$ 1	$ 19
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 104**	**$ 37**	$ 111	$ 27
Benefits expense	**3**	**20**	1	19
Benefits payments	**(76)**	**(10)**	(8)	(9)
Balance, end of year	**$ 31**	**$ 47**	$ 104	$ 37

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

	2018	2017
Valuation interest rate	**3.25%**	3.00%
General increases in pay	**2.50%**	2.50%

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.

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, $84 thousand (2017 - $83 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, 2017 and it has an actuarial surplus.

7. *Tangible Capital Assets*

	Net Book Value 2018	Net Book Value 2017
Land	**$ 20,376**	$ 20,376
Building	**1,193**	1,283
Golf course improvements	**1,009**	1,018
Equipment	**255**	283
	$ 22,833	$ 22,960

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

8. *Accumulated Surplus*

	Budget 2018	Actual 2018	Actual 2017
Invested in tangible capital assets	**$ 2,418**	**$ 2,258**	$ 2,385
Allocated equity	**26**	**179**	169
Contributed surplus	**20,575**	**20,575**	20,575
Operating	**(8,993)**	**(9,058)**	(9,706)
	$ 14,026	**$ 13,954**	$ 13,423

9. *Related Party Transactions*

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

a) An amount of $5 thousand (2017 - $6 thousand) has been charged to City of Winnipeg Departments for miscellaneous services;

b) An amount of $28 thousand (2017 - $39 thousand) has been charged by City of Winnipeg Departments for miscellaneous services. No amount (2017 - $nil) has been charged for the cost of financial, legal, 311, information technology and human resource support services provided by City of Winnipeg Departments.

c) An amount of $167 thousand (2017 - $474 thousand) has been charged by The City of Winnipeg - Municipal Accommodations Fund for services provided at the various golf courses;

d) An amount of $170 thousand (2017 - $175 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.

10. Commitments and Contingencies

a) 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
2019	$	41
2020		41
2021		41
2022 and thereafter		744
	$	867

b) Legal obligations

As part of the normal course of operations, lawsuits are pending against the Agency. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2018 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 the loss can be reasonably estimated, amounts have been recorded in the financial statements. Where the occurrence of future events is considered undeterminable, no amount has been accrued in the financial statements.

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 2018	Total 2017
Cost						
Balance, beginning of year	**$ 20,376**	**$ 2,763**	**$ 1,328**	**$ 1,608**	**$ 26,075**	$ 25,757
Add:						
Additions during the year	**-**	**20**	**20**	**73**	**113**	336
Less:						
Disposals during the year	**-**	**-**	**-**	**-**	**-**	(18)
Balance, end of year	**20,376**	**2,783**	**1,348**	**1,681**	**26,188**	26,075
Accumulated amortization						
Balance, beginning of year	**-**	**1,480**	**1,045**	**590**	**3,115**	2,895
Add:						
Amortization	**-**	**110**	**48**	**82**	**240**	238
Less:						
Accumulated amortization on disposals	**-**	**-**	**-**	**-**	**-**	(18)
Balance, end of year	**-**	**1,590**	**1,093**	**672**	**3,355**	3,115
Net Book Value of Tangible Capital Assets	**$ 20,376**	**$ 1,193**	**$ 255**	**$ 1,009**	**$ 22,833**	$ 22,960

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2018	2017
FINANCIAL ASSETS		
Cash	**$ 51**	$ 1
Accounts receivable	**384**	199
	435	200
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 3)	**14,765**	15,446
Accounts payable and accrued liabilities	**1,343**	1,726
Debt (Note 4)	**37,415**	30,995
Other liabilities (Note 5)	**-**	81
Accrued employee benefits (Note 6a)	**1,991**	2,026
	55,514	50,274
NET FINANCIAL LIABILITIES	**(55,079)**	(50,074)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**74,571**	69,307
Inventories	**1,670**	1,694
Prepaid expenses	**647**	618
	76,888	71,619
ACCUMULATED SURPLUS (Note 8)	**$ 21,809**	$ 21,545

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 2018	Actual 2018	Actual 2017
REVENUES			
Fleet leases	**$ 27,752**	**$ 25,521**	$ 24,884
Services and parts revenue (Schedule 1)	**8,931**	**9,618**	8,416
Fuel sales	**7,497**	**8,368**	7,005
Rental income	**4,040**	**3,802**	3,868
Gain on sale of tangible capital assets	**800**	**1,472**	1,461
Transfer from The City of Winnipeg - Innovative Capital Fund (Note 9e)	**-**	**101**	-
Total Revenues	**49,020**	**48,882**	45,634
EXPENSES			
Amortization	**15,006**	**15,224**	14,052
Supplies	**11,165**	**11,431**	9,575
Salaries and employee benefits	**10,845**	**9,908**	10,052
Services	**9,183**	**9,195**	9,481
Interest (Notes 3 and 4)	**1,186**	**1,224**	1,003
Other expenses	**1,424**	**1,393**	1,385
Total Expenses	**48,809**	**48,375**	45,548
Annual Surplus Before Other	**211**	**507**	86
OTHER			
Transfer to The City of Winnipeg - General Revenue Fund (Note 9d)	**243**	**243**	92
Annual Surplus (Deficit)	**$ (32)**	**264**	(6)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**21,545**	21,551
ACCUMULATED SURPLUS, END OF YEAR		**$ 21,809**	$ 21,545

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)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus (Deficit)	**$ 264**	$ (6)
Non-cash charges to operations		
Amortization	**15,224**	14,052
Gain on sale of tangible capital assets	**(1,472)**	(1,461)
	14,016	12,585
Net change in non-cash working capital balances related to operations	**(689)**	417
Cash provided by operating activities	**13,327**	13,002
CAPITAL		
Acquisition of tangible capital assets	**(20,943)**	(22,055)
Proceeds on disposal of tangible capital assets	**1,927**	2,510
Cash used in capital activities	**(19,016)**	(19,545)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(681)**	5,524
Proceeds from term loans	**17,100**	10,900
Repayment of term loans	**(10,680)**	(9,917)
Cash provided by financing activities	**5,739**	6,507
Increase (Decrease) in cash	**50**	(36)
CASH, BEGINNING OF YEAR	**1**	37
CASH, END OF YEAR	**$ 51**	$ 1

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 2018	Actual 2018	Actual 2017
ANNUAL SURPLUS (DEFICIT)	$ **(32)**	$ **264**	$ (6)
Amortization of tangible capital assets	**15,006**	**15,224**	14,052
Proceeds on disposal of tangible capital assets	**800**	**1,927**	2,510
Change in inventories and prepaid expenses	**(47)**	**(5)**	(50)
Gain on sale of tangible capital assets	**(800)**	**(1,472)**	(1,461)
Acquisition of tangible capital assets	**(23,040)**	**(20,943)**	(22,055)
INCREASE IN NET FINANCIAL LIABILITIES	**(8,113)**	**(5,005)**	(7,010)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(51,175)**	**(50,074)**	(43,064)
NET FINANCIAL LIABILITIES, END OF YEAR	$ **(59,288)**	$ **(55,079)**	$ (50,074)

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 (the "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 surplus (deficit), 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.

g) Accounting policy changes

The Public Sector Accounting Board issued new standards, PS 2200 Related party disclosures and PS 3420 Inter-entity transactions. The new standards apply to the Agency for the fiscal year beginning January 1, 2018. As a result of this adoption, no material impact on the financial statements occurred. See notes 9 and 10 for applicable disclosures.

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, 2018 effective interest rate was 1.80% (2017 - 0.85%). As well, the Agency has negotiated an operating line of credit up to $20 million 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 $174 thousand (2017 - $68 thousand). Interest received from The City of Winnipeg - General Revenue Fund is $nil (2017 - $nil).

4. *Debt*

Lender	Maturity Date	Interest Rate	2018	2017
Royal Bank of Canada (Note 4b)	2018 - 2025	1.90% - 5.20%	**$ 13,110**	$ 6,057
The Toronto-Dominion Bank (Note 4b)	2018 - 2033	1.50% - 4.14%	**24,127**	24,760
			37,237	30,817
The City of Winnipeg - non-interest bearing, no repayment schedule			**178**	178
			$ 37,415	$ 30,995

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

2019	$ 8,940
2020	6,647
2021	6,078
2022	5,237
2023	3,868
Thereafter	6,467
	$ 37,237

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, 2018, $37,237 thousand (2017 - $30,817 thousand) was outstanding under these facilities. The effective interest rate at December 31, 2018 was 3.08% (2017 - 3.08%).

c) Cash paid for interest during the year is $1,061 thousand (2017 - $927 thousand).

5. *Other liability*

	2018	2017
Environmental liability	**$ -**	$ 81

The agency had estimated an environmental liability for a former decommissioned fuel site which has since been sold.

6. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	2018	2017
Retirement allowance - accrued liability	$ 915	$ 983
Vacation	758	771
Compensated absences	318	272
	$ 1,991	$ 2,026

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 13.3 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 obligation as at December 31 of each year. An actuarial valuation report of the obligation was calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2018 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:

	2018		2017	
	Retirement allowance	Compensated absences	Retirement allowance	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	$ 693	$ 496	$ 731	$ 475
Current service cost	44	58	44	50
Interest cost	21	16	22	15
Benefit payments	(117)	(53)	(11)	(48)
Amortization of net actuarial (gain)/loss	32	(10)	(93)	4
Balance, end of year	673	507	693	496
Unamortized net actuarial gain/(loss)	242	(189)	290	(224)
Accrued benefit liability	$ 915	$ 318	$ 983	$ 272
Benefit expense consists of the following:				
Current service cost	$ 44	$ 58	$ 44	$ 50
Interest cost	21	16	22	15
Amortization of net actuarial (gain)/loss	(16)	25	(9)	25
	$ 49	$ 99	$ 57	$ 90

6. *Accrued Employee Benefits (continued)*

Reconciliation of accrued benefit liability:

Balance, beginning of year	**$ 983**	**$ 272**	$ 937	$ 230
Benefits expense	**49**	**99**	57	90
Benefits payments	**(117)**	**(53)**	(11)	(48)
Balance, end of year	**$ 915**	**$ 318**	$ 983	$ 272

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

	2018	2017
Valuation interest rate	**3.25%**	3.00%
General increases in pay	**2.50%**	2.50%

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.

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, $814 thousand (2017 - $819 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, 2017 and it has an actuarial surplus.

7. *Tangible Capital Assets*

	Net Book Value 2018	2017
Fleet assets	**$ 68,792**	$ 63,210
Equipment	**3,285**	3,541
Buildings	**2,104**	2,166
Land	**390**	390
	$ 74,571	$ 69,307

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

The net book value of fleet assets and property not yet in service is $3,439 thousand (2017 - $3,769 thousand).

8. *Accumulated Surplus*

	Budget 2018	Actual 2018	Actual 2017
Contributed surplus	**$ 11,425**	**$ 11,425**	$ 11,425
Invested in tangible capital assets	**21,683**	**22,569**	23,044
Operating	**(29,630)**	**(12,185)**	(12,924)
	$ 3,478	**$ 21,809**	$ 21,545

Invested in tangible capital assets represents equity in non-financial assets. The amount is determined based on tangible capital assets less debt. Debt for the calculation includes long-term balances as well as amounts included in the due to City of Winnipeg balance which were used to finance the purchase of tangible capital assets and will be converted to long-term debt in the future.

9. Related Party Transactions

The Agency is wholly owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the related party transactions that occurred are as follows:

a) Revenues include sales of goods and services of $46,009 thousand and (2017 - $43,161 thousand) to The City of Winnipeg.

b) An amount of $448 thousand (2017 - $396 thousand) has been transferred to the General Revenue Fund for miscellaneous services.

c) An amount of $1,175 thousand (2017 - $1,385 thousand) has been transferred to the Municipal Accommodations Fund for the rental of office and garage space, building and leasehold improvements, and miscellaneous services.

d) An amount of $243 thousand (2017 - $92 thousand) has been transferred to the General Revenue Fund as a return on investment.

e) An amount of $101 thousand (2017 - $nil) has been transferred to Fleet Management Agency from the Innovative Capital Fund.

10. Contractual Rights

The Agency enters into capital lease agreement with City departments and other SOAs which are rights to economic resources that result in capital lease revenue in the future.

Future capital lease revenue from contractual rights for the next five years are as follows:

2019	$ 15,316
2020	13,203
2021	11,089
2022	8,871
2023	6,475
Thereafter	12,971
	$ 67,925

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 2018	Actual 2018	Actual 2017
Consumables and corrective maintenance	$ 5,210	$ 5,399	$ 4,636
Insurance revenue	2,015	2,012	1,935
Manufacturing sales	614	917	564
Power tools	723	723	795
Other	197	393	314
Provincial support grant	172	174	172
	$ 8,931	$ 9,618	$ 8,416

THE CITY OF WINNIPEG **Schedule 2**
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Buildings	Fleet Assets	Equipment	Total 2018	Total 2017
Cost						
Balance, beginning of year	$ 390	$ 4,176	$ 159,074	$ 8,311	$ 171,951	$ 161,782
Add:						
Additions during the year	-	127	20,440	376	20,943	22,055
Less:						
Disposals during the year	-	-	(10,606)	(11)	(10,617)	(11,886)
Balance, end of year	390	4,303	168,908	8,676	182,277	171,951
Accumulated amortization						
Balance, beginning of year	-	2,010	95,864	4,770	102,644	99,429
Add:						
Amortization	-	189	14,403	632	15,224	14,052
Less:						
Accumulated amortization on disposals	-	-	(10,151)	(11)	(10,162)	(10,837)
Balance, end of year	-	2,199	100,116	5,391	107,706	102,644
Net Book Value of Tangible Capital Assets	$ 390	$ 2,104	$ 68,792	$ 3,285	$ 74,571	$ 69,307

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2018	2017
FINANCIAL ASSETS		
Cash	**$ 71**	$ 78
Due from The City of Winnipeg - General Revenue Fund (Note 3)	**11,432**	9,221
Accounts receivable	**2,827**	2,375
Due from The City of Winnipeg - Land Operating Reserve (Note 4)	**4,405**	9,405
	18,735	21,079
LIABILITIES		
Accounts payable and accrued liabilities	**380**	289
Deferred revenue	**403**	133
Debt (Note 5)	**3,918**	3,918
Accrued employee benefits (Note 6)	**561**	506
	5,262	4,846
NET FINANCIAL ASSETS	**13,473**	16,233
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**5,958**	6,096
Inventories	**181**	221
Prepaid expenses	**1**	1
	6,140	6,318
ACCUMULATED SURPLUS (Note 8)	**$ 19,613**	$ 22,551

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 2018	Actual 2018	Actual 2017
REVENUES			
Meters	$ 10,575	$ 8,869	$ 6,893
Enforcement	8,274	8,371	8,370
Parking fees (Note 9c)			
Surface parking lots	1,558	2,133	1,698
Millennium Library parkade	1,037	1,401	1,276
Vehicles for hire permits and fees	-	1,311	-
Special events	571	628	584
Parking permits	93	103	110
Sundry	68	243	91
Total Revenues	22,176	23,059	19,022
EXPENSES			
Salaries and employee benefits (Note 6)	3,902	3,809	3,324
Services (Notes 9b, d, and h)			
Enforcement - contracts	3,363	3,097	2,914
Meters	2,183	1,677	1,572
Utilities	359	414	333
Vehicles for Hire	-	381	-
Parkade management	276	229	224
Special events	163	144	138
Other services (Note 9f)	1,556	832	924
Provision for bad debts	838	1,384	828
Amortization	1,100	1,063	1,185
Materials, parts and supplies	1,465	938	880
Debt and finance charges	230	287	232
Recoveries	(3)	(36)	(26)
Other (Notes 9a, e, g, i and j)	2,639	1,263	1,202
Total Expenses	18,071	15,482	13,730
Excess of Revenues over Expenses before Other	4,105	7,577	5,292
OTHER			
Transfer to The City of Winnipeg - General Revenue Fund (Note 9k)	5,515	5,515	500
Transfer to the Land Operating Reserve (Note 9l)	5,000	5,000	-
Annual (Deficiency) Excess of Revenues over Expenses	(6,410)	(2,938)	4,792
ACCUMULATED SURPLUS, BEGINNING OF YEAR	22,551	22,551	17,759
ACCUMULATED SURPLUS, END OF YEAR	$ 16,141	$ 19,613	$ 22,551

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)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
(Deficiency) Excess of revenues over expenses	**$ (2,938)**	$ 4,792
Non-cash items related to operations		
Amortization	**1,063**	1,185
	(1,875)	5,977
Net change in non-cash working capital balances related to operations	**4**	(1,225)
Cash provided by (used in) operating activities	**(1,871)**	4,752
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**(2,211)**	(4,849)
Change in due from/to The City of Winnipeg - Land Operating Reserve	**5,000**	595
Cash provided by (used in) financing activities	**2,789**	(4,254)
CAPITAL		
Purchase of tangible capital assets	**(925)**	(475)
Cash used in capital activities	**(925)**	(475)
(DECREASE) INCREASE IN CASH	**(7)**	23
CASH, BEGINNING OF YEAR	**78**	55
CASH, END OF YEAR	**$ 71**	$ 78

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 2018	Actual 2018	Actual 2017
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	**$ (6,410)**	**$ (2,938)**	$ 4,792
Amortization of tangible capital assets	**1,100**	**1,063**	1,185
Change in inventories and prepaid expenses	**-**	**40**	(40)
Acquisition of tangible capital assets	**(141)**	**(925)**	(475)
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	**(5,451)**	**(2,760)**	5,462
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**16,233**	**16,233**	10,771
NET FINANCIAL ASSETS, END OF YEAR	**$ 10,782**	**$ 13,473**	$ 16,233

See accompanying notes and schedule to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Description of Business

On March 20, 1997, City Council adopted the Reshaping Our Civic Government document identifying the development of Special Operating Agencies ("SOA") as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, City Council adopted the 1999 Alternative Service Delivery Review Agenda which identified the municipal parking services operations as an Alternative Services Delivery ("ASD") candidate. A feasibility study was subsequently prepared and presented to the ASD Committee.

On December 11, 2002, City Council adopted the recommendation of the ASD Committee that an Operating Charter and Business Plan for a SOA with a mandate to manage and be accountable for city-owned parking resources, be prepared for consideration by City Council.

The Winnipeg Parking Authority - Special Operating Agency (the "Agency") was created effective October 27, 2004 and commenced operations on January 1, 2005.

The Agency manages the parking facilities and related assets owned and previously operated by The City of Winnipeg (the "City"). The intent of the Agency is to provide excellent customer service, maximize the annual return of parking operations, and ensure its long-term sustainability.

The Agency provides screening and collection services for City by-law penalty notices issued under the Municipal By-Law Enforcement Act ("MBEA"), effective November 20, 2017.

The vehicles for hire ("VFH") division of the Agency came into effect February 28, 2018, under the Vehicles for Hire By-law No. 129/2017. VFH provides licensing, oversight, and enforcement of the vehicles for hire industry in the City.

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.

2. Significant Accounting Policies (continued)

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.

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.

iv) Accounting policy changes

The Public Sector Accounting Board issued new standards, PS 2200 Related party disclosures and PS 3420 Inter-entity transactions. The new standards apply to the Agency for the fiscal year beginning January 1, 2018. As a result of this adoption, no material impact on the financial statements occurred. See note for applicable disclosures.

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.

2. *Significant Accounting Policies (continued)*

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 - 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" 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, 2018 effective interest rate was 1.60% (2017 - 0.85%).

Interest received from The City of Winnipeg - General Revenue Fund on the line of credit was $176 thousand for the year (2017 - $40 thousand).

4. *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. In 2018 a payment of $5 million (2017 - $595 thousand) was received from The City of Winnipeg - Land Operating Reserve.

5. *Debt*

	2018	2017
The City of Winnipeg - General Revenue Fund		
Start-up loan with no specific terms of repayment	**$ 3,918**	$ 3,918
	$ 3,918	$ 3,918

Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2017 - $nil).

6. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	2018	2017
Vacation	**$ 333**	$ 294
Retirement allowance - accrued benefit liability	**156**	150
Compensated absences	**72**	62
	$ 561	$ 506

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 14.3 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 liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2018 using year-end assumptions.

6. *Accrued Employee Benefits (continued)*

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:

	2018		2017	
	Retirement Allowance	**Compensated Absences**	Retirement Allowance	Compensated Absences
Accrued benefit liability:				
Balance, beginning of year	**$ 159**	**$ 127**	$ 145	$ 115
Current service cost	**12**	**16**	11	15
Interest cost	**5**	**4**	4	4
Benefit payments	**(12)**	**(16)**	-	(13)
Net actuarial (gain)/loss	**(10)**	**(2)**	(1)	6
Balance, end of year	**154**	**129**	159	127
Unamortized net actuarial (loss)/gain	**2**	**(57)**	(9)	(65)
Accrued benefit liability	**$ 156**	**$ 72**	$ 150	$ 62
Benefit expense:				
Current service cost	**$ 12**	**$ 16**	$ 11	$ 15
Interest cost	**5**	**4**	4	4
Amortization of net actuarial (gain)/loss	**1**	**6**	2	5
	$ 18	**$ 26**	$ 17	$ 24
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 150**	**$ 62**	$ 133	$ 51
Benefit expense	**18**	**26**	17	24
Benefit payments	**(12)**	**(16)**	-	(13)
	$ 156	**$ 72**	$ 150	$ 62

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

	2018	2017
Valuation interest rate	**3.25%**	3.00%
General increases in pay	**2.50%**	2.50%

b) Pension

The Agency's 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, $313 thousand (2017 - $271 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, 2017 and it has an actuarial surplus.

7. *Tangible Capital Assets*

	Net Book Value **2018**	Net Book Value 2017
Land	**$ 73**	$ 73
Parkades	**4,457**	4,067
Authority assets		
Leasehold improvements	**314**	368
Parking surfaces	**171**	186
	485	554
Equipment		
Meters and pay stations	**395**	896
Equipment	**355**	308
Computer equipment	**51**	38
Office furniture and equipment	**16**	23
Vehicles	**126**	137
	943	1,402
	$ 5,958	$ 6,096

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

8. *Accumulated Surplus*

	Budget 2018	**Actual 2018**	Actual 2017
Restricted funds for future investment	**$ 7,000**	**$ 6,346**	$ 12,000
Invested in tangible capital assets	**3,288**	**1,967**	2,105
Contributed surplus	**73**	**73**	73
Operating	**5,780**	**11,227**	8,373
	$ 16,141	**$ 19,613**	$ 22,551

9. *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) An amount of $351 thousand (2017 - $349 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of information technology, finance and human resources support services.

b) In Services, an amount of $387 thousand (2017 - $391 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.

c) Revenues include sales of $774 thousand (2017 - $679 thousand) to the City.

9. Related Party Transactions (continued)

d) In Services, an amount of $249 thousand (2017 - $254 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.

e) An amount of $194 thousand (2017 - $202 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.

f) An amount of $73 thousand (2017 - $119 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various locations.

g) An amount of $133 thousand (2017 - $133 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of 311 services.

h) In Services, an amount of $48 thousand (2017 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

i) An amount of $42 thousand (2017 - $42 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

j) An amount of $59 thousand (2017 - $38 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.

k) An amount of $5,515 thousand (2017 - $500 thousand) has been transferred to The City of Winnipeg General Revenue Fund as a return on investment.

l) An amount of $5,000 thousand has been transferred to The City of Winnipeg Land Operating Reserve.

10. 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 2018	Total 2017
Cost						
Balance, beginning of year	$ 73	$ 6,686	$ 1,150	$ 13,118	$ 21,027	$ 20,657
Add:						
Additions during the year	-	678	-	247	925	475
Less:						
Disposal of tangible capital assets	-	-	-	-	-	(105)
Balance, end of year	73	7,364	1,150	13,365	21,952	21,027
Accumulated amortization						
Balance, beginning of year	-	2,619	596	11,716	14,931	13,851
Add:						
Amortization	-	288	69	706	1,063	1,185
Less:						
Accumulated amortization on disposals	-	-	-	-	-	(105)
Balance, end of year	-	2,907	665	12,422	15,994	14,931
Net Book Value of Tangible Capital Assets	$ 73	$ 4,457	$ 485	$ 943	$ 5,958	$ 6,096

Photo: Bryan Scott, courtesy Tourism Winnipeg

2018 Wholly Owned Corporations
Detailed Financial Statements

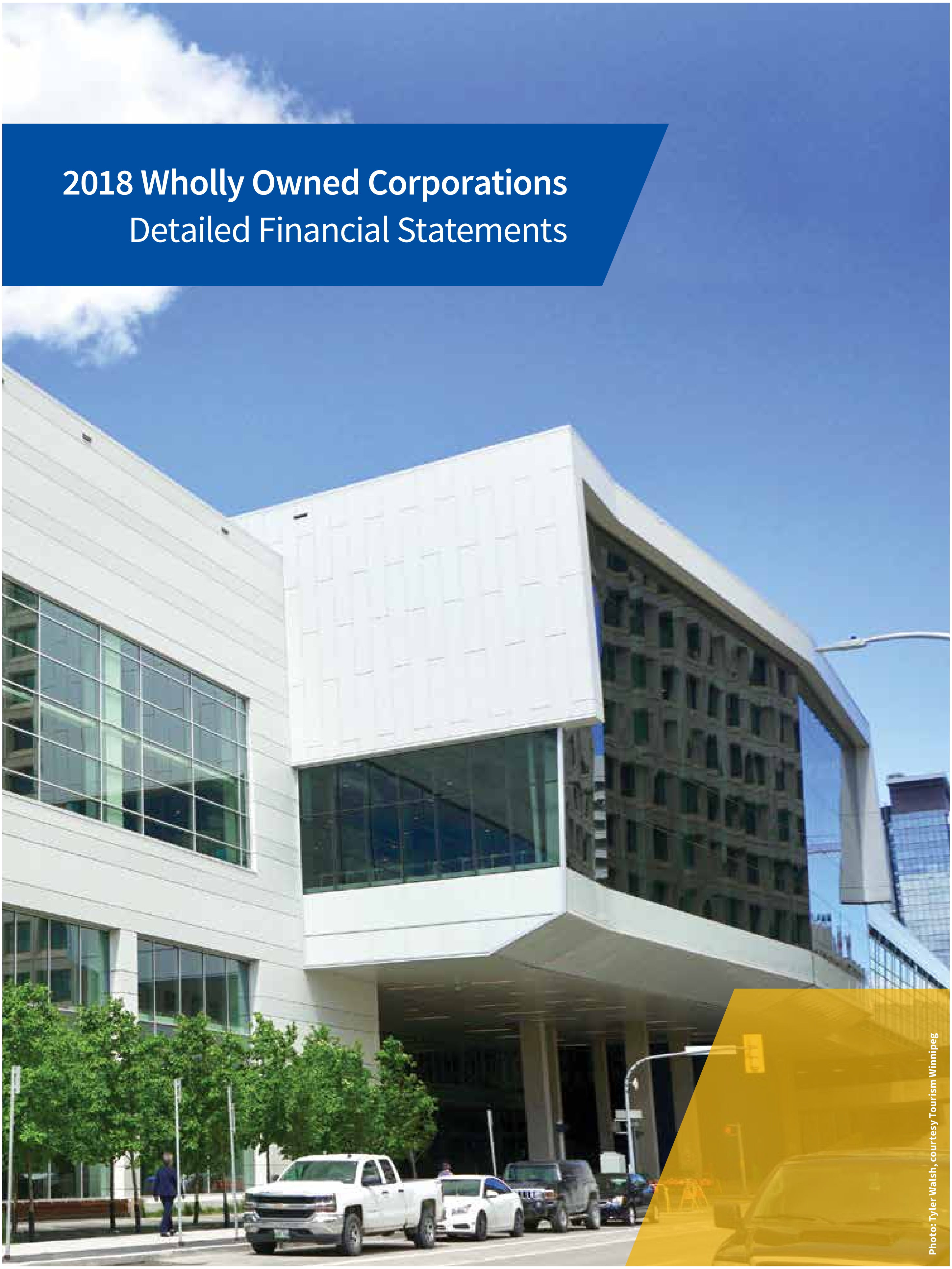

Photo: Tyler Walsh, courtesy Tourism Winnipeg

THE CONVENTION CENTRE CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 866,816**	$ 1,369,135
Accounts receivable	**2,034,907**	1,358,800
Inventory	**226,383**	222,361
Prepaid expenses	**78,041**	85,798
	3,206,147	3,036,094
Tangible capital assets (Note 2)	**170,669,115**	177,244,187
	$ 173,875,262	$ 180,280,281
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 2,937,058**	$ 2,847,360
Interest payable	**496,485**	505,977
Customer deposits and unearned revenue	**1,067,668**	1,228,355
Demand loan - expansion (Note 6)	**9,200,000**	7,400,000
Current portion of long-term debt - expansion (Note 8)	**325,912**	313,256
Current portion of due to Province of Manitoba (Note 9)	**1,400,000**	1,400,000
Due to City of Winnipeg (Note 10)	**4,817,186**	3,730,979
	20,244,309	17,425,927
Deferred funding - wall cladding replacement and stabilization (Note 3)	**1,297,287**	1,627,246
Deferred funding - roof replacement (Note 4)	**2,209,094**	2,334,729
Deferred funding - expansion (Note 5)	**135,020,722**	139,975,611
Long-term debt - expansion (Note 8)	**16,059,740**	16,385,652
Due to Province of Manitoba (Note 9)	**-**	1,400,000
	174,831,152	179,149,165
Commitments (Note 18)		
FUND BALANCES		
Operating fund	**573,000**	563,000
Restricted fund	**1,469,223**	1,545,693
Invested in capital assets (Note 12)	**(2,998,113)**	(977,577)
	(955,890)	1,131,116
	$ 173,875,262	$ 180,280,281

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended December 31

	Operating Fund	Restricted Fund	Invested in Capital Assets Fund	**2018 Total**	2017 Total
Fund balances, beginning of year	$ 563,000	$ 1,545,693	$ (977,577)	**$ 1,131,116**	$ 2,624,877
Excess (deficiency) of revenue over expenses	670,559	-	(2,757,565)	**(2,087,006)**	(1,493,761)
Capital assets purchased from operations	(266,715)	-	266,715	-	-
Transfer to restricted fund - budget	(210,106)	210,106	-	-	-
Capital assets purchased from restricted fund	-	(197,541)	197,541	-	-
Expansion capital assets purchased from restricted fund	-	(272,773)	272,773	-	-
Change in fund balance before			-	-	-
allocations to restricted fund	193,738	(260,208)	(2,020,536)	**(2,087,006)**	(1,493,761)
Allocations to restricted fund	(183,738)	183,738	-	-	-
	10,000	(76,470)	(2,020,536)	**(2,087,006)**	(1,493,761)
Fund balances, end of year	$ 573,000	$ 1,469,223	$ (2,998,113)	**$ (955,890)**	$ 1,131,116

THE CONVENTION CENTRE CORPORATION
STATEMENT OF OPERATIONS
For the year ended December 31

	2018	2017
Operating revenue	**$ 18,308,415**	$ 17,827,679
Operating costs	**7,795,445**	7,985,764
Net operating revenue	**10,512,970**	9,841,915
General Operating Grant (Note 13)		
City of Winnipeg	**1,500,000**	1,500,000
Province of Manitoba	**847,800**	1,265,400
	2,347,800	2,765,400
	12,860,770	12,607,315
Expenses		
Accounting and financial services and human resources	**1,083,151**	1,044,736
Administration	**2,417,483**	2,027,309
Building maintenance	**5,215,471**	5,149,183
Client services	**1,586,308**	1,416,137
Sales and promotion	**1,015,593**	999,777
Security	**872,205**	823,351
	12,190,211	11,460,493
Operating fund excess of revenue over expenses	**670,559**	1,146,822
Capital fund		
Recognition of deferred funding related to capital assets	**5,410,483**	5,410,483
Amortization of tangible capital assets	**(7,312,101)**	(7,275,074)
Interest on demand loan and long-term debt	**(855,947)**	(775,992)
Capital fund deficiency of revenue over expenses	**(2,757,565)**	(2,640,583)
Deficiency of revenue over expenses	**$ (2,087,006)**	$ (1,493,761)

See accompanying notes to the financial statements

THE CONVENTION CENTRE CORPORATION
STATEMENT OF CASH FLOWS
For the year ended December 31

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	**$ (2,087,006)**	$ (1,493,761)
Adjustments for non-cash items		
Amortization of tangible capital assets	**7,312,101**	7,275,074
Amortization of deferred funding	**(5,410,483)**	(5,410,483)
	(185,388)	370,830
Changes in non-cash working capital balances		
Accounts receivable	**(676,107)**	311,063
Inventory	**(4,022)**	24,114
Prepaid expenses	**7,757**	(11,959)
Accounts payable and accrued liabilities	**89,698**	(212,197)
Interest payable	**(9,492)**	(9,123)
Customer deposits and unearned revenue	**(160,687)**	21,481
Net cash (used in) provided by operating activities	**(938,241)**	494,209
CASH FLOW FROM CAPITAL ACTIVITIES		
Major repair and replacement expenditures	**(464,256)**	(760,921)
Expansion costs	**(272,773)**	(604,267)
Net cash used in capital activities	**(737,029)**	(1,365,188)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to Province of Manitoba (repayment) advance	**(1,400,000)**	(1,400,000)
Due to City of Winnipeg advance (repayment)	**1,086,207**	(19,021)
Demand loan - expansion advance repayment	**1,800,000**	2,400,000
Long-term debt (repayment)	**(313,256)**	(301,092)
Net cash provided by financing activities	**1,172,951**	679,887
DECREASE IN CASH AND CASH EQUIVALENTS	**(502,319)**	(191,092)
Cash and cash equivalents, beginning of year	**1,369,135**	1,560,227
Cash and cash equivalents, end of year	**$ 866,816**	$ 1,369,135

See accompanying notes to the financial statements

1. *Nature of Operations and Summary of Significant Accounting Policies*

Nature of Operations

The Convention Centre Corporation ("Corporation") was incorporated by special act under the laws of Manitoba to operate and promote the RBC Convention Centre (formerly named the Winnipeg Convention Centre). The Corporation is a not-for-profit organization and is therefore not subject to income taxes under section 149(1)(I). These financial statements are consolidated with the City of Winnipeg financial statements.

Management's Responsibility for the Financial Statements

The financial statements of the Corporation are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

Basis of Accounting

The Corporation's financial statements are prepared in accordance with Canadian public sector accounting standards in the CPA Public Sector Accounting Handbook. The Corporation has elected to apply the accounting standard recommendations applicable solely to government not-for-profit organizations in Sections PS 4200 to PS 4270 of the CPA 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 expenses that are internally restricted by board resolution for future expenditures or major repairs and replacements on capital assets or debt repayments. As capital assets are acquired or debt repayment is made, 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.

1. *Nature of Operations and Summary of Significant Accounting Policies (continued)*

Cash and Cash Equivalents

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.

Tangible Capital Assets

Tangible Capital assets are recorded at cost less accumulated amortization. Amortization is calculated at the following rates and basis:

Art Holdings	not amortized
Expansion - building	30 years straight-line basis
Expansion - equipment	10 years straight-line basis
Expansion - IT equipment	10 years straight-line basis
Major repair and replacement	5 years straight-line basis
Roof replacement	25 years straight-line basis
Wall cladding replacement and stabilization	20 years straight-line basis

When the Corporation recognizes that a tangible 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 operations.

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 RBC Convention Centre, are recognized as revenue when the events are held.

Financial Instruments

The Corporation applies the recommendations of Sections PS 4200, Financial Statement Presentation, and PS 3450, Financial Instruments, of the CPA 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.

1. *Nature of Operations and Summary of Significant Accounting Policies (continued)*

Financial Instruments (continued)

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, interest payable, due to Province of Manitoba, due to City of Winnipeg demand loan - expansion and long-term debt - expansion.

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 operations.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful life of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. *Tangible Capital Assets*

	Cost	Accumulated Amortization	**2018 Net Book Value**	2017 Net Book Value
Art holdings	$ 32,600	$ -	**$ 32,600**	$ 32,600
Expansion				
Land	7,130,880	-	**7,130,880**	7,130,880
Building	167,032,410	15,286,929	**151,745,481**	157,040,455
Equipment	5,538,426	1,523,377	**4,015,049**	4,568,892
IT equipment	3,148,652	845,640	**2,303,012**	2,617,877
Major capital expenditures	2,000,000	2,000,000	**-**	-
Major repair and replacement	15,739,316	13,803,604	**1,935,712**	1,891,508
Revitalization program				
City of Winnipeg	3,000,000	3,000,000	**-**	-
Province of Manitoba	2,000,000	2,000,000	**-**	-
Roof replacement	3,140,880	931,786	**2,209,094**	2,334,729
Wall cladding replacement	6,599,175	5,301,888	**1,297,287**	1,627,246
	$ 215,362,339	$ 44,693,224	**$ 170,669,115**	$ 177,244,187

2. *Tangible Capital Assets (continued)*

Amortization Expenses

		2018		2017
Expansion				
Building	$	**5,567,747**	$	5,558,655
Equipment		**553,843**		553,843
IT equipment		**314,865**		314,865
Major repair and replacement		**420,052**		392,117
Roof replacement		**125,635**		125,635
Wall cladding replacement		**329,959**		329,959
	$	**7,312,101**	$	7,275,074

Recognition of Deferred Contributions Related to Capital Assets

		2018		2017
Expansion (Note 5)	**$**	**4,954,889**	$	4,954,889
Roof replacement (Note 4)		**125,635**		125,635
Wall cladding replacement (Note 3)		**329,959**		329,959
	$	**5,410,483**	$	5,410,483

3. *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 replacement of the exterior tyndall stone cladding of the RBC 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. This amount is being amortized into income as the related asset is amortized:

		2018		2017
Balance, beginning of year	**$**	**1,627,246**	$	1,957,205
Amount amortized to revenue		**(329,959)**		(329,959)
Balance, end of year	**$**	**1,297,287**	$	1,627,246

4. *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 replacement of the roof of the RBC 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. This amount is being amortized into income as the related asset is amortized:

		2018		2017
Balance, beginning of year	**$**	**2,334,729**	$	2,460,364
Amount amortized to revenue		**(125,635)**		(125,635)
Balance, end of year	**$**	**2,209,094**	$	2,334,729

5. 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 $51,000,000, the Province of Manitoba for funding of $51,000,000, and the Government of Canada for funding of $46,646,667 (total of $148,646,667).

The funding received was deferred until the completion of the project and is amortized on the same basis as the related asset. Deferred funding - expansion at December 31 are as follows:

	2018	2017
Balance, beginning of year	**$ 139,975,611**	$ 144,930,500
Amount amortized to revenue	**(4,954,889)**	(4,954,889)
Balance, end of year	**$ 135,020,722**	$ 139,975,611

6. Demand Loan - Expansion

On January 11, 2013, the Corporation entered into a credit agreement of $33,000,000 in order to fund its portion of the future expansion costs. Effective May 31, 2016, the Corporation revised this credit to $16,000,000. The remaining $17,000,000 was converted to a term loan (Note 8). 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 $16,000,000, a general security agreement, and a guarantee from the City of Winnipeg. In 2016, the Corporation accessed these funds in the form of a demand loan credit facility, bearing interest at the RBC prime rate minus 1% (2.95% as at December 31, 2018), maturing December 31, 2019. The balance drawn against this credit agreement at year-end is $9,200,000 ($7,400,000 in 2017).

7. 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, 2018 and December 31, 2017 is nil.

8. Long-term Debt -Expansion

	2018	2017
RBC Life Insurance Company -Term loan repayable by consecutive, annual blended payments of principal and interest of $987,892 bearing interest at 4.04%, with maturity date of March 31, 2046. This loan is secured by the City of Winnipeg with a guarantee of $17,000,000.	**$ 16,385,652**	$ 16,698,908
Less current portion	**(325,912)**	(313,256)
	$ 16,059,740	$ 16,385,652

8. Long-term Debt -Expansion (continued)

Principal repayments for the next five years and thereafter are as follows:

2019	$	325,912
2020		339,078
2021		352,777
2022		367,029
2023		381,857
Thereafter		14,618,999
	$	16,385,652

9. 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 RBC Convention Centre. The City of Winnipeg is the registered owner of the land. However, the Corporation, as the beneficial owner of the land, agreed to pay the $7,000,000 purchase price to the Province of Manitoba. The balance is non-interest bearing and repayable over five years commencing in 2015. As at December 31, 2018, the amount outstanding is $1,400,000 which is due in 2019.

10. Due to the City of Winnipeg

Balance due to the City of Winnipeg is non-interest bearing and due on demand.

11. Inter-fund Loan

The balance in the inter-fund loan from the Operating Fund to Invested in Capital Assets Fund at December 31, 2018 is $2,840,802 ($3,148,314 in 2017). This loan is non-interest bearing and will be repaid as funds are drawn from the credit facility available for the expansion.

12. Invested in Capital Assets

	2018	2017
Capital assets	**$ 170,669,115**	$ 177,244,187
Amounts financed by:		
Deferred funding - expansion	**(135,020,722)**	(139,975,611)
Deferred funding - roof replacement	**(2,209,094)**	(2,334,729)
Deferred funding - wall cladding	**(1,297,287)**	(1,627,246)
Demand loan - expansion	**(9,200,000)**	(7,400,000)
Due to City of Winnipeg	**(4,817,186)**	(3,730,979)
Due to Province of Manitoba	**(1,400,000)**	(2,800,000)
Inter-fund loan from operating fund (Note 11)	**(2,840,802)**	(3,148,314)
Interest payable	**(496,485)**	(505,977)
Long-term debt - expansion	**(16,385,652)**	(16,698,908)
	$ (2,998,113)	$ (977,577)

	2018	2017
Changes in Net Assets Invested in Capital Assets		
Deficiency of revenue over expenses	**$ (2,757,565)**	$ (2,640,583)
Purchase of capital assets - expansion, net of prepaids	**272,773**	604,267
Purchase of capital assets - non-expansion	**464,256**	760,921
Due to City of Winnipeg	**(1,086,207)**	19,021
Due to Province of Manitoba	**1,400,000**	1,400,000
Demand loan - expansion	**(1,800,000)**	(2,400,000)
Long-term debt - expansion	**1,178,695**	971,740
Interfund loan from operating fund for expansion purchases	**307,512**	9,238
	$ (2,020,536)	$ (1,275,396)

13. Grants

The Corporation operates with the assistance of grants from the City of Winnipeg and the Province of Manitoba. These grants are allocated to general operating grants.

	2018	2017
City of Winnipeg	**$ 1,500,000**	$ 1,500,000
Province of Manitoba	**847,800**	1,265,400
	$ 2,347,800	$ 2,765,400

14. Utilities Expense

	2018	2017
Gas	**$ 365,889**	$ 424,084
Electricity	**1,045,605**	973,572
Water	**152,175**	195,407
	$ 1,563,669	$ 1,593,063

15. Related Party Transactions

In addition to the grants and contributions received from the City of Winnipeg and the Province of Manitoba (Notes 3, 4, 5, 6, 7 and 13), the payable to the Province of Manitoba (Note 9), and the payable to the City of Winnipeg (Note 10), the Corporation had the following transactions with these related parties during the year. Operating revenues of $193,054 ($382,839 in 2017) related to events held at the RBC 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.

16. Financial Instruments Risk Disclosures

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 accounts receivable 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-noted 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, 2018 and December 31, 2017 with the exception of an allowance for doubtful accounts amounting to $Nil ($2,904 in 2017).

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 long-term debt - expansion bears interest at a fixed rate and the Corporation is, therefore, subject to fair value risk. The demand loan - expansion bears interest at a floating-rate which subjects the Corporation to a cash flow risk. The Corporation is not exposed to significant currency or other price risk.

16. Financial Instruments Risk Disclosures (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, 2018, the Corporation's contractual maturities for financial liabilities (including any interest payments) are as follows:

	Due within One Year	Due in One to Five Years
Accounts payable and accrued liabilities	$ 2,937,058	$ -
Demand loan - expansion	9,200,000	-
Interest payable	496,485	-
Long-term debt - expansion	325,912	1,440,742
Due to City of Winnipeg	4,817,186	-
Due to Province of Manitoba	1,400,000	-
	$ 19,176,641	$ 1,440,742

17. Comparison to Budgeted Results

	Actual	Budget (Unaudited)	Variance
Operating revenue	**$ 18,308,415**	$ 17,389,236	$ 919,179
Operating cost	**7,795,445**	8,167,752	(372,307)
Net operating revenue	**10,512,970**	9,221,484	1,291,486
General operating grants	**2,347,800**	2,906,000	(558,200)
	12,860,770	12,127,484	733,286
Expenditures	**12,190,211**	11,917,378	272,833
Operating fund excess of revenue over expenses	**670,559**	210,106	460,453
Capital asset additions not included in expenditures above	**(266,715)**	-	(266,715)
Transfer to restricted fund	**(210,106)**	(210,106)	-
Excess of revenue over expenses after capital purchases	**$ 193,738**	$ -	$ 193,738

18. Commitments

The Corporation has entered into various contracts and other commitments that expire at different periods between 2022 and 2025. Future minimum payments in aggregate for each of the next five years are as follows:

2019	$	2,098,458
2020		2,131,519
2021		2,173,857
2022		1,561,553
2023		14,606

19. Pension 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 by the Corporation for employee future benefits for fiscal year end 2018 were $589,930 ($564,575 in 2017).

20. 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.

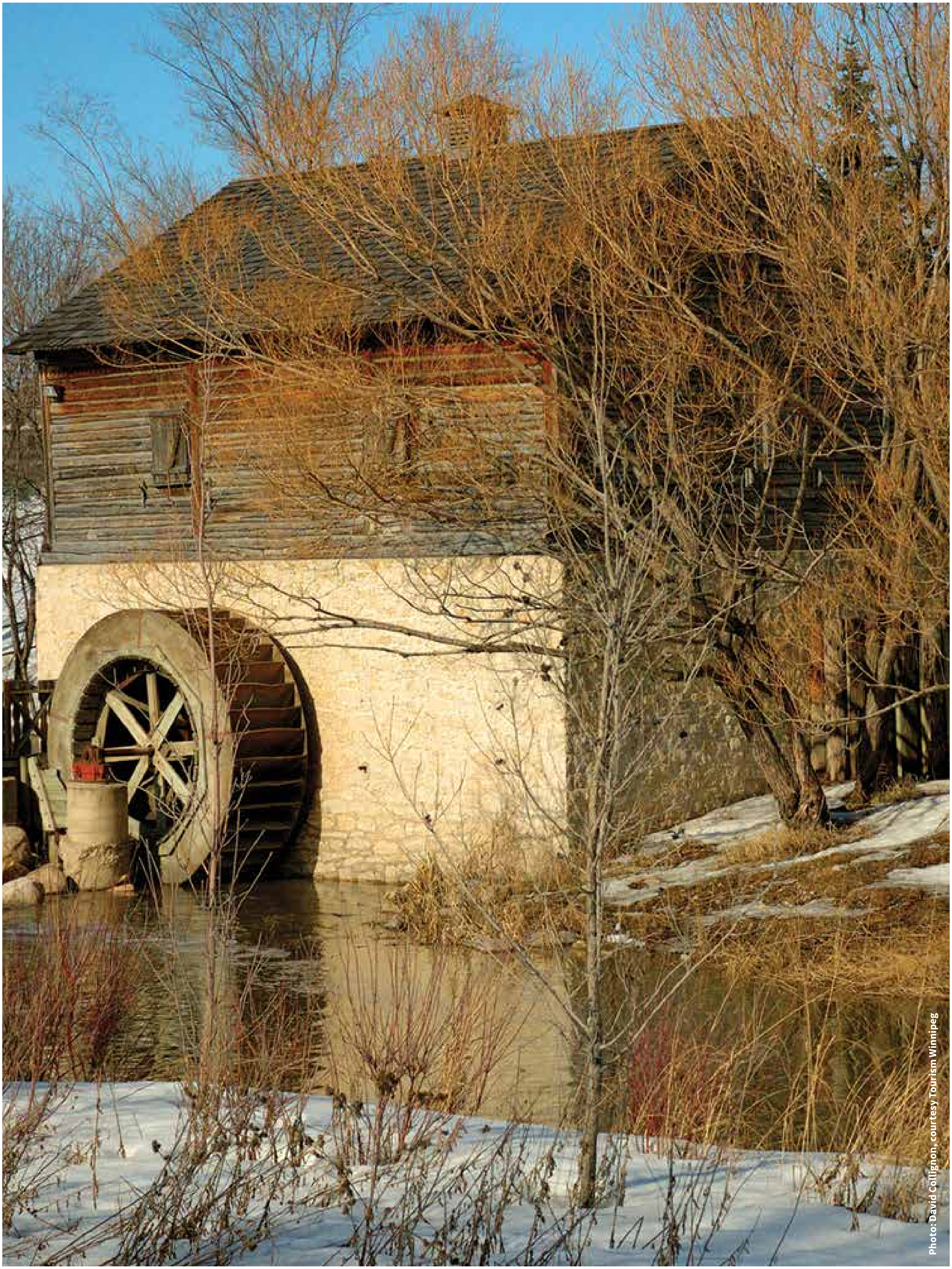

Photo: David Collignon, courtesy Tourism Winnipeg

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018, with comparative information for 2017

	2018	2017
ASSETS		
Current Assets		
Restricted cash (Note 3)	**$ -**	$ 1,426,013
Accounts receivable (Note 4)	**3,818,506**	2,087,601
Prepaid expenses	**18,571**	3,241
Property held for resale (Note 5)	**1,679,800**	336,700
Current portion of mortgages receivable (Note 6)	**177,903**	3,937,339
Current portion of loans receivable (Note 7)	**832,200**	2,294,391
Current portion of SHED project receivable (Note 8)	**483,900**	746,384
	7,010,880	10,831,669
Mortgages receivable (Note 6)	**2,018,265**	1,575,573
SHED project receivable (Note 8)	**4,616,788**	4,817,326
Investment in hotel properties (Note 9)	**6,811,483**	7,763,373
Capital assets (Note 10)	**4,378,298**	6,268,816
	$ 24,835,714	$ 31,256,757
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current Liabilities		
Bank indebtedness (Note 11)	**$ 636,684**	$ 3,776,880
Accounts payable and accrued liabilities	**493,672**	551,374
Payable to CCC Properties Inc. (Note 9)	**3,789,795**	3,774,501
Payable to STR Properties Inc. (Note 9)	**398,842**	3,932,935
Current portion of long-term debt (Note 12)	**661,789**	637,151
	5,980,782	12,672,841
Long-term debt (Note 12)	**7,301,332**	7,961,471
Forgivable loans (Note 13)	**2,713,398**	3,065,945
Deferred contributions (Note 14)		
Expenses of future periods	**3,523,094**	1,699,257
Capital assets	**962,072**	819,552
	4,485,166	2,518,809
NET ASSETS		
Invested in capital assets (Note 16)	**2,382,628**	2,720,019
Unrestricted	**1,972,408**	2,317,672
	4,355,036	5,037,691
Commitments (Note 15)		
	$ 24,835,714	$ 31,256,757

See accompanying notes to consolidated financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
Year Ended December 31, 2018, with comparative information for 2017

	2018 Total	2017 Total
Revenue		
Operational grant (Note 17)	**$ -**	$ 600,000
Rental properties (Note 17)	**383,758**	403,476
Interest	**281,685**	387,510
SHED project (Note 17)	**283,363**	301,158
Designated grants (Note 14)	**147,248**	280,681
Commissions	**140,021**	109,363
Loss from investment in hotel properties (Note 9)	**(951,890)**	-
Gain on sale of property held for resale (Note 5)	**867,300**	-
Other	**2,169**	4,175
	1,153,654	2,086,363
Expenditures		
General operations	**796,693**	825,663
Rental properties	**281,273**	313,131
SHED project expenditures	**283,363**	301,158
Grants	**147,248**	280,681
Projects	**264,526**	162,743
	1,773,103	1,883,376
Excess (deficiency) of revenue over expenditures before the undernoted	**$ (619,449)**	$ 202,987
Amortization	**273,233**	271,376
Amortization of deferred contribution (Note 14)	**(210,027)**	(210,027)
Excess (deficiency) of revenue over expenditures for the year	**$ (682,655)**	$ 141,638

See accompanying notes to consolidated financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2018, with comparative information for 2017

	Invested in Capital Assets	Unrestricted	Total
Balance, January 1, 2017	$ 761,528	$ 4,134,525	$ 4,896,053
Excess (deficiency) of revenue over expenditures	(61,349)	202,987	141,638
Transfer for purchase of capital assets and property held for resale (Note 16)	2,019,840	(2,019,840)	-
Balance, December 31, 2017	**2,720,019**	**2,317,672**	**5,037,691**
Excess (deficiency) of revenue over expenditures	**804,094**	**(1,486,749)**	**(682,655)**
Transfer for purchase of capital assets (Note 16)	**62,515**	**(62,515)**	**-**
Transfer of proceeds on disposal of property held for resale (Note 5)	**(1,204,000)**	**1,204,000**	**-**
Balance, December 31, 2018	**$ 2,382,628**	**$ 1,972,408**	**$ 4,355,036**

See accompanying notes to consolidated financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
OPERATING ACTIVITIES:		
Excess (deficiency) of revenue over expenditures for the year	**$ (682,655)**	$ 141,638
Adjustments for:		
Amortization of capital assets	**273,233**	271,376
Amortization of deferred contributions	**(210,027)**	(210,027)
Loss from investment in hotel properties	**951,890**	-
Gain on disposal of property held for resale	**(867,300)**	-
	(534,859)	202,987
Changes in non-cash working capital balances:		
Restricted cash	**1,426,013**	2,180
Accounts receivable	**181,164**	(451,436)
Prepaid expenses	**(15,330)**	770
Accounts payable and accrued liabilities	**(57,702)**	130,675
Decrease in deferred contributions related to expenses of future periods	**(88,232)**	(260,128)
	911,054	(374,952)
CAPITAL ACTIVITIES:		
Purchase of capital assets	**(62,515)**	(1,683,140)
Purchase of property held for resale	**-**	(336,700)
Proceed from sale of property held for resale, net of mortagage receivable of $700,000	**504,000**	-
	441,485	(2,019,840)
INVESTING ACTIVITIES:		
Principal repaid on mortgages receivable	**1,016,744**	428,583
Principal repaid on loans receivable	**1,462,191**	1,466,533
Principal repaid on SHED project receivable	**463,022**	445,224
	2,941,957	2,340,340
FINANCING ACTIVITIES:		
Change in bank indebtedness	**(3,140,196)**	664,710
Payable to CCC Properties Inc.	**15,294**	-
Payable to STR Properties Inc.	**(534,093)**	-
Repayment of long-term debt	**(635,501)**	(610,258)
	(4,294,496)	54,452
Cash, beginning and end of year	**$ -**	$ -

See accompanying notes to consolidated financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2018

1. General

CentreVenture Development 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.*

2. Significant accounting policies

These consolidated 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) Basis of consolidation:

These consolidated financial statements include the accounts of the Corporation, and its wholly-owned subsidiaries Centre Village Housing Inc. Intra-company and inter-company transactions and balances have been eliminated upon consolidation.

The Corporation has a 100% (2017 - 100%) investment in STR Properties Inc. and CCC Properties Inc. which are profit-oriented enterprises. The Corporation accounts for its investment in these entities using the modified equity method. Under this method, the accounting principles of the entities are not adjusted to conform with those of the Corporation and inter-company transactions are not eliminated.

b) Financial instruments:

Financial instruments are recorded at fair value when acquired or issued. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. 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 incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

c) 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. 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.

Interest income and rental revenue is recognized on an accrual basis consistent with the terms of the related mortgage and loan agreements and when 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.

2. *Significant accounting policies (continued)*

c) Revenue recognition (continued):

Sale proceeds on properties and the related costs 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.

d) 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. The following special funding arrangements were ongoing during the year:

Province of Manitoba - North Main Economic Development Program Grant:

The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

City of Winnipeg - Downtown Housing Strategy:

The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

City of Winnipeg - Gail Parvin Hammerquist:

The purpose of this grant is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

City of Winnipeg/Province of Manitoba - Downtown Residential Development Program (DRDG):

The purpose of this program 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. The Corporation provides administration and other services to the City for this program.

City of Winnipeg/Province of Manitoba-East Waterfront Neighbourhood Development Program (EWND):

The purpose of this program is to undertake initiatives, such as marketing, safety programs, beautification, amenity attraction etc. that to enhance the Exchange Waterfront neighbourhood where clusters of residential development are occurring. The public investment is being made to attract private sector investment and protect existing investments that has been made by individuals and business owners who want to live and work in a vibrant complete community.

City of Winnipeg/Province of Manitoba - Sports, Hospitality, and Entertainment District (SHED) Project:

The purpose of this program 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.

2. *Significant accounting policies (continued)*

d) Special projects - restricted funding arrangements (continued):

City of Winnipeg - Homelessness Partnering Strategy:

The purpose of this grant is to fund renovations at the Bell Hotel whose goal is to provide affordable housing to individuals who have experienced extended periods of homelessness.

e) 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 amount is received.

f) 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.

g) 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 on a straight-line basis in accordance with the following estimated useful life of the asset:

Asset	**Term**
Buildings	25 years
Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	3 to 15 years

Property held for development is recorded at cost and is not amortized until the asset is available for productive use.

h) Use of estimates:

The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. *Restricted cash*

The restricted cash at December 31, 2017 of $1,426,013 held by the Corporation was restricted for the SHED project. At December 31, 2018, the remaining cash not yet expended on the SHED project of $1,423,577 has been utilized by the Corporation to reduce bank indebtedness. In accordance with the terms of the SHED project agreement, the Corporation is not required to restrict the cash prior to expenditure on the SHED project. As a result, the Corporation in fiscal 2018, has transferred the remaining cash to reduce the Corporation's bank indebtedness until the cash is utilized for expenditures related to the SHED project.

4. *Accounts receivable*

		2018		2017
Trade and other receivables	$	**218,927**	$	400,091
Grants receivable - the City		**3,599,579**		1,687,510
	$	**3,818,506**	$	2,087,601

5. *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.

In 2018, the Corporation sold the property that was held for resale at December 31, 2017 for $1,204,000, consisting of cash consideration of $504,000 and a vendor take back mortgage receivable of $700,000 (Note 6), resulting in a gain on disposal of $867,300.

During the year ended December 31, 2018, the Corporation reclassified two properties acquired in fiscal 2017 for $1,679,800 from capital assets as the Corporation intends to sell these properties in fiscal 2019.

6. *Mortgages receivable*

		2018		2017
Mortgages receivable	$	**2,216,168**	$	5,453,494
Accrued interest receivable		**-**		79,418
Allowance for doubtful loans		**(20,000)**		(20,000)
		2,196,168		5,512,912
Current portion of mortgages receivable		**177,903**		3,937,339
	$	**2,018,265**	$	1,575,573

Mortgages receivable at December 31, 2018 are on two properties in downtown Winnipeg with maturity from fiscal 2023 to 2025 monthly instalments are applied to interest first, compounded semi-annually not in advance. Mortgages receivable are secured by recourse to the related underlying property and other forms of security except for $1,516,154 (2017 - $1,686,432) for which the City funds principal and interest payments and has provided a guarantee on the related term loan payable that the Corporation had obtained to providing financing for the mortgage (Note 12). Interest rates charged for the mortgages receivable range from 4.5 % to 5.0 % (2017 - 4.0 % to 8.0 %) and are both fixed variable in reference to the prime interest rate of lending at the time of loan disbursement.

6. *Mortgages receivable (continued)*

Mortgage principal receipts are expected as follows:

2019	$	177,903
2020		185,841
2021		194,148
2022		202,827
2023		911,893
Thereafter		543,556
	$	2,216,168

7. *Loans receivable*

		2018		2017
Loans receivable	**$**	**832,200**	$	2,240,707
Accrued interest receivable		-		53,684
		832,200		2,294,391
Current portion of loans receivable		**832,200**		2,294,391
	$	-	$	-

Loans receivable at December 31, 2018 are repayable during fiscal 2019. Loans receivable are secured by an assignment of Heritage Tax Credits or other forms of security. The loans receivable outstanding at December 31, 2018 are non-interest bearing (2017 - nil to 8.0 %) and are payable in monthly instalments.

8. *SHED project receivable*

The SHED project is funded by the City and Province and with grants provided under the project to make the SHED a key destination downtown with the goal of revitalizing Winnipeg's downtown. Under the terms of the agreement, the Corporation has obtained proceeds from term loans aggregating $8,290,000 (Note 12) to utilize for grants in accordance with Phase 1 of the SHED project. As grants are expended by the Corporation a SHED project receivable from the City and Province is recognized for an equivalent amount. The City and Province provide annual funding to the Corporation equivalent to the annual debt servicing cost of the term loans.

SHED project principal receipts are expected as follows:

2019	$	483,900
2020		502,661
2021		523,508
2022		544,526
2023		566,387
Thereafter		2,479,706
	$	5,100,688

9. *Investment in hotel properties*

The Corporation has an 100% interest in STR Properties Inc. which owned the St. Regis property. STR Properties Inc. disposed of the St. Regis property during fiscal 2015 for $4,650,000 with cash consideration of $1,650,000 received and the Corporation provided a mortgage for the remaining $3,000,000. In 2017, the Corporation approved a year extension on the maturity of the mortgage which was to mature in fiscal 2018 (Note 6). During fiscal 2018, STR Properties Inc. reacquired the St. Regis Property for $3,585,000 through cash consideration of $584,000 including transaction costs and settlement of the $3,000,000 mortgage held by the Corporation. The St. Regis property was subsequently written down by $935,000 to its estimated net realizable value of $2,650,000.

The Corporation has a 100% interest in CCC Properties Inc. which included interest in the land and building comprising the Carlton Inn. The Carlton Inn had been previously demolished by CCC Properties Inc. During fiscal 2016, CCC Properties Inc. disposed of the land for cash consideration of $4,100,000.

At December 31, 2018, the Corporation has a payable to STR Properties Inc. of $398,842 (2017 - $3,932,935) and a payable to CCC Properties Inc. of $3,789,795 (2017 - $3,774,501) which are non-interest bearing, unsecured and have no specified terms of repayment.

These businesses were acquired as part of the Corporation's mission to revitalize downtown Winnipeg. Summary financial information of the entities is as follows:

	STR Properties	CCC Properties Inc.
Current assets	$ -	$ 12,864
Long-term assets	3,028,684	3,788,877
Total assets	$ 3,028,684	$ 3,801,741
Current liabilities	$ 19,241	$ -
Equity	3,009,443	3,801,741
Total equity and liabilities	$ 3,028,684	$ 3,801,741
Revenues	$ 13,500	$ -
Expenses	(30,390)	-
Loss on write-down of property	(935,000)	-
Loss for the year	$ (951,890)	$ -

10. Capital assets

			2018	2017
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Buildings	**$ 6,140,734**	**$ 1,962,720**	**$ 4,178,014**	$ 4,416,127
Computer equipment	**138,983**	**136,044**	**2,939**	3,895
Furniture and fixtures	**70,015**	**67,683**	**2,332**	504
Leasehold improvements	**632,045**	**437,032**	**195,013**	168,290
Properties held for development	**-**	**-**	**-**	1,680,000
	$ 6,981,777	**$ 2,603,479**	**$ 4,378,298**	$ 6,268,816

11. Bank indebtedness

	2018	2017
Cheques issued in excess of cash on hand	**$ 636,684**	$ 2,059,534
Line of credit	**-**	1,717,346
	$ 636,684	$ 3,776,880

The Corporation has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $10,400,000 (2017 - $10,400,000). The line of credit bears interest at Royal Bank prime rate minus 1.0% (2.95% as at December 31, 2018) per annum and is secured by an unconditional and irrevocable guarantee signed by the City in the amount of $10,400,000 and a general security agreement on all personal property of the Corporation.

12. Long-term debt

	2018	2017
Term loan, interest at 4.47%, due October 2025, blended annual 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 $2,600,000	**$ 1,425,222**	$ 1,595,500
Term loan, interest at 3.98%, due October 2029, blended annual payments of $349,338, secured by guarantee signed by the City in the amount of $3,890,000	**3,069,721**	3,287,642
Term loan, interest at 3.91%, due October 2029, blended annual payments of $393,254, secured by a guarantee signed by the City in the amount of $4,400,000	**3,468,178**	3,715,480
	7,963,121	8,598,622
Current portion of long-term debt	**661,789**	637,151
	$ 7,301,332	$ 7,961,471

12. Long-term debt (continued)

Principal repayments for the next five years are as follows:

2019	$	661,789
2020		688,502
2021		717,656
2022		747,353
2023		778,280
Thereafter		4,369,541
	$	7,963,121

Proceeds from the 4.47% term loan were utilized by the Corporation to provide a 15 year mortgage receivable to Youth Centre of Excellence project at 333 King Street (Note 6). The Corporation receives annual principal and interest payments for the Youth Centre of Excellence mortgage receivable from the City.

The 3.98% and 3.91% term loans were incurred to finance phase 1 of the SHED project under the Strategic Downtown Investments Funding Agreement. In accordance with the SHED agreement, the City and the Province provide annual funding to the Corporation equivalent to the annual debt servicing costs of these loans (Note 8).

13. Forgivable loans

The details of forgivable loans are as follows:

		2018		2017
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	**$**	**1,310,555**	$	1,470,555
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		**1,402,843**		1,595,390
	$	**2,713,398**	$	3,065,945

The five year forgiveness schedule for the forgivable loans is as follows:

2019	$	352,547
2020		352,547
2021		352,547
2022		352,547
2023		352,547
Thereafter		950,663
	$	2,713,398

At December 31, 2018, the Corporation has met all requirements during the year relating to the terms of the forgivable loans.

14. Deferred contributions

a) Expenses of future periods:

Deferred contributions related to expenses of future periods 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:

	2018	2017
Balance, beginning of year	$ **1,699,257**	$ 871,875
Grants received	**59,016**	20,553
Grants receivable	**1,912,069**	1,087,510
Amounts recognized as revenue in the year	**(147,248)**	(280,681)
Balance, end of year	$ **3,523,094**	$ 1,699,257

Deferred grant revenue is related to the following projects:

	2018	2017
Gail Parvin Hammerquist	$ **3,500,083**	$ 1,685,613
North Main Economic Development Program Grant	**2,600**	2,600
Province of Manitoba - Downtown Winnipeg ground floor activation strategy grant	**20,411**	11,044
	$ **3,523,094**	$ 1,699,257

b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets.

	2018	2017
Balance, beginning of year	$ **819,552**	$ 677,032
Contributions transferred from forgivable loans	**352,547**	352,547
Amount amortized to revenue in the year	**(210,027)**	(210,027)
Balance, end of year	$ **962,072**	$ 819,552

15. Commitments

The Corporation has made commitments for leases with minimum annual lease payments as follows:

2019	$ 42,489
2020	42,489
2021	42,489
2022	42,489
2023	17,704

16. *Invested in capital assets*

Investment in capital assets is calculated as follows:

		2018		2017
Capital assets	$	**4,378,298**	$	6,268,816
Property held for sale		**1,679,800**		336,700
Forgivable loans		**(2,713,398)**		(3,065,945)
Deferred contributions		**(962,072)**		(819,552)
	$	**2,382,628**	$	2,720,019

Change in net assets invested in capital assets is calculated as follows:

		2018		2017
Deficiency of revenue over expenditures:				
Amortization of deferred contributions	$	**210,027**	$	210,027
Amortization of capital assets		**(273,233)**		(271,376)
Gain on sale of disposal of property held for sale		**867,300**		-
	$	**804,094**	$	(61,349)
Purchase of capital assets	$	**62,515**		1,683,140
Proceeds from disposal of property held for sale		**(1,204,000)**		-
	$	**(337,391)**	$	1,621,791

17. *Related party transactions and balances*

The following table summarized the Corporation's related party transactions and balances with the City of Winnipeg for the year:

		2018		2017
Consolidated statement of operations				
Revenue:				
Operational grant	$	**-**	$	600,000
Downtown Residential Development grant		**30,279**		30,279
SHED project grant		**141,681**		150,579
Expenditures:				
Property taxes	$	**67,736**	$	68,832
Consolidated statement of financial position				
Accounts receivable	$	**3,599,579**	$	1,875,282
Mortgages receivable		**1,516,154**		1,686,432
Loan receivable		**391,537**		391,537
SHED project receivable		**2,550,344**		2,781,855
Accounts payable and accrued liabilities		**316,902**		301,811
Deferred contributions expenses of future periods - Gail Parvin Hammerquist grants (also included in accounts receivable at December 31, 2018)		**1,912,069**		1,087,510

These 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.

18. *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 reporting during the fiscal year 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 Corporation's 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 consolidated statement of financial position for accounts receivable, mortgages receivable and loans receivable.

18. 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.

19. Programs under administration

DRDG Program

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 provides funding for the annual loan repayments to the Corporation from the annual incremental taxes.

Exchange Waterfront Neighbourhood Development Program

The Exchange Waterfront Neighbourhood Development Program's (the EWND Program) objective is to support the development of a complete community in the Exchange Waterfront Neighborhood. The Program is funded by the City and Province through tax increment financing and achieved by borrowing for an additional five years against the incremental taxes that are generated by the condominium projects that receive grants under the DRDG Program. Under the DRDG Program, the developer is entitled to receive a grant equal to the net present value of 10 years of incremental taxes generated by the project and EWND Program is funded receiving the net present value of an additional 5 years of incremental taxes. The City and Province forgo the incremental taxes for 15 years on the condominium projects to provide the funds required to repay the borrowing for the DRDG and EWND Programs.

The funds are used to undertake initiatives relating to increasing safety, providing transportation options, improving the image and awareness of the neighbourhood and infrastructure improvements to beautify the neighborhood and make it more pedestrian friendly. The Corporation administers the EWND Program on behalf of the City and the Province, which entails doing the research and making recommendations for initiatives to undertake and then implementing and monitoring the initiatives to completion.

As the Corporation only administers the DRDG and EWND Programs on behalf of the City and Province, the related assets and liabilities that are administered by the Corporation have not been reflected in these consolidated financial statements. The Corporartion has recorded commissions earned for the admistration of the DRDG and EWND Programs as revenue during the fiscal year.

19. Program under administration (continued)

The assets and liabilities that are administered by the Corporation under the DRDG and EDWN Programs are as follows:

	2018	2017
Assets:		
Cash	**$ -**	$ 1,723,201
DRDG TIF receivable - the City	**16,144,170**	13,973,182
Accounts receivable - EWND	**948,543**	-
	$ 17,092,713	$ 15,696,383
Liabilities:		
Bank indebtedness	**$ 942,688**	$ 1,717,346
Loans payable	**16,150,025**	13,979,037
	$ 17,092,713	$ 15,696,383

The Corporation receives an annual payment from the City for the loans to cover the annual debt servicing costs. The loans payable are fully guaranteed by the City.

20. Comparative information

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Photo: Simon Liao, courtesy Tourism Winnipeg

WINNIPEG ARTS COUNCIL INC.

STATEMENT OF OPERATIONS

Year Ended December 31

	2018	2017
REVENUES		
City of Winnipeg	**$ 4,645,319**	$ 4,645,319
Arts Development	**39,735**	23,699
Other income	**8,577**	1,876
Interest income	**36,836**	19,210
	4,730,467	4,690,104
EXPENSES		
Program expenses (Page 11)	**4,196,464**	4,087,679
Administrative expenses (Page 11)	**491,692**	498,555
	4,688,156	4,586,234
OTHER PROJECTS		
Public Art revenues (Note 5)	**1,223,031**	924,142
Public Art expenses (Page 11)	**(1,223,031)**	(924,142)
	-	-
EXCESS OF REVENUES OVER EXPENSES BEFORE AMORTIZATION	**42,311**	103,870
AMORTIZATION	**(2,056)**	(7,944)
EXCESS OF REVENUES OVER EXPENSES AFTER AMORTIZATION	**$ 40,255**	$ 95,926

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 2018**	Total 2017
Net assets, beginning of year	$ 224,189	$ 2,622	$ 227,294	**$ 454,105**	$ 368,179
Excess of revenues over expenses	42,311	(2,056)	-	**40,255**	95,926
Transfer (Note 6)	(120,000)	-	95,000	**(25,000)**	(10,000)
Net assets, end of year	$ 146,500	$ 566	$ 322,294	**$ 469,360**	$ 454,105

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENT OF FINANCIAL POSITION

December 31

	2018	2017
ASSETS		
Current		
Cash	**$ 2,341,183**	$ 1,755,210
Receivables	**62,212**	74,892
GST receivable	**11,251**	10,853
Prepaid expenses	**2,383**	2,391
	2,417,029	1,843,346
Equipment and leasehold improvements (Note 3)	**566**	2,622
	$ 2,417,595	$ 1,845,968
LIABILITIES		
Current		
Payables and accruals	**$ 16,000**	$ 15,500
Grant holdbacks (Note 4)	**284,649**	265,061
Deferred contributions (Note 5)	**1,647,586**	1,111,302
	1,948,235	1,391,863
NET ASSETS		
Unrestricted (Note 7)	**146,500**	224,189
Invested in capital assets	**566**	2,622
Internally restricted (Note 7)	**322,294**	227,294
	469,360	454,105
	$ 2,417,595	$ 1,845,968

Commitment (Note 8)

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

STATEMENT OF CASH FLOWS

Year Ended December 31

		2018		2017
Cash derived from (applied to):				
OPERATING				
Excess of revenues over expenses	**$**	**40,255**	$	95,926
Amortization		**2,056**		7,944
		42,311		103,870
Change in non-cash working capital				
Receivables		**12,680**		(64,892)
Interest receivable		**-**		4,488
GST receivable		**(398)**		(1,088)
Prepaid expenses		**8**		(53)
Payables and accruals		**500**		-
Grant holdbacks		**19,588**		105,033
Deferred contributions		**536,284**		(21,804)
		610,973		125,554
INVESTING				
Redemption of term deposits		**-**		900,000
Transfer to Endowment Fund		**(25,000)**		(10,000)
		(25,000)		890,000
NET INCREASE IN CASH		**585,973**		1,015,554
CASH BALANCE				
Beginning of year		**1,755,210**		739,656
End of year	**$**	**2,341,183**	$	1,755,210

See accompanying notes to the financial statements

WINNIPEG ARTS COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

1. Nature of operations

Winnipeg Arts Council Inc. (the Organization) funds, supports, and champions 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 detailed 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:

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

The Organization recognized its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. Financial instruments are initially recorded at fair value with subsequent reporting at amortized cost.

2. *Significant accounting policies (continued)*

d) Financial instruments (continued)

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	2018 Net Book Value	2017 Net Book Value
Office equipment	**$ 6,574**	**$ 6,574**	**$ -**	$ -
Furniture and fixtures	**34,243**	**34,243**	**-**	1,944
Leasehold improvements	**104,258**	**104,258**	**-**	-
Computer equipment	**5,091**	**4,525**	**566**	678
	$ 150,166	**$ 149,600**	**$ 566**	$ 2,622

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:

	2018	2017
Youth WITH ART	**$ 94,608**	$ 89,972
Arts Development	**35,893**	52,258
Individual Artist grants	**48,400**	43,000
Multi-year grants	**24,798**	37,150
Indigenous Arts Leaders Fellowship	**60,000**	26,431
Project grants	**20,950**	16,250
	$ 284,649	$ 265,061

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 program is supported by a specified allocation from the City of Winnipeg with the occasional addition of grant funds and partnerships. Financial support to individual artists is awarded on the recommendations of selection panels facilitated by the Organization.

5. *Deferred contributions (continued)*

	2018	2017
Public Art		
Contributions		
City of Winnipeg Public Art Strategy	**$ 455,400**	$ 453,300
City of Winnipeg Public Works Waverley Underpass Agreement	**450,000**	-
City of Winnipeg Public Art Maintenance Reimbursement	**62,212**	-
Government of Canada	**362,160**	321,000
Downtown Winnipeg BIZ	**30,939**	-
Centre Venture	**100,000**	-
Winnipeg Foundation	**45,000**	-
Manitoba Federation of Labour	**75,000**	-
Amalgamated Transit Union	**30,000**	-
Plenary Road Winnipeg	**124,775**	106,275
Old St. Vital BIZ	**-**	16,000
WSP	**20,000**	-
Other	**3,829**	5,763
Transferred to revenue	**(1,223,031)**	(924,142)
Increase (decrease) during the year	**536,284**	(21,804)
Deferred contributions, beginning of year	**1,111,302**	1,133,106
Deferred contributions, end of year	**$ 1,647,586**	$ 1,111,302

The following provides a breakdown by project of the unexpended balance:

	2018	2017
Public Art Projects		
1919 Streetcar	**$ 460,380**	$ 237,476
Waverley Underpass	**442,730**	-
Broadway Light-based Sculptures	**267,633**	53,360
WITH ART: Community Arts Projects	**167,284**	153,491
Air Canada Park/Indigenous Artists Project	**114,209**	339,525
South Sherbrook/Cornish Library	**89,970**	131,263
Public Art Contingency	**38,937**	73,410
Tache Promenade	**35,741**	-
Kildonan Park	**16,124**	105,587
Public Education and Outreach	**11,089**	-
Southwest Rapid Transit	**3,489**	-
Old St. Vital BIZ/Intersection of St. Anne's & St. Mary's	**-**	9,144
Windsor Park Library	**-**	8,046
	$ 1,647,586	$ 1,111,302

6. Transfers

During the year, the Board of Directors approved a transfer of $25,000 (2017 - $10,000) from unrestricted net assets as a contribution to the Endowment Fund held at the Winnipeg Foundation.

During the year, $50,000 (2017 - $Nil) was transferred from unrestricted net assets to internally restricted net assets in order to fund a study of the socioeconomic impact of the arts.

During the year, $45,000 (2017 - $Nil) was transferred from unrestricted net assets to internally restricted net assets in order to fund the movement of the Organization's grant application process online.

7. *Net assets*

Internally restricted net assets

	2018	2017
Cash flow assistance	**$ 100,000**	$ 100,000
Internally restricted net assets	**222,294**	127,294
	$ 322,294	$ 227,294

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 internally restricted net assets is available for the development of new programs at the discretion of the Board of Directors and to finance future projects to engage the overall community in support of the arts in the City of Winnipeg.

Unrestricted net assets

The Organization considers its capital to be the balance maintained in its unrestricted net assets. Capital is utilized under the direction of the Board of Directors. The primary objective of the Organization is to invest its capital in a manner that will allow it to continue as a going concern.

8. *Commitment*

The Organization entered into a new lease agreement for office space, which expires on June 30, 2022. The Organization's annual minimum lease payments over the next four years are as follows:

2019	$ 30,131
2020	31,035
2021	31,966
2022	16,219

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, 2018, the Organization's cumulative contributions to the Endowment Fund totaled $110,000 (2017 - $85,000) with a cumulative matching grant contribution of $33,352 (2017 - $30,001) from The Winnipeg Foundation. The market value of the Endowment Fund at December 31, 2018 is $177,548 (2017 - $157,365).

WINNIPEG ARTS COUNCIL INC.

SCHEDULE OF EXPENSES

Year ended December 31

	2018	2017
PROGRAM EXPENSES		
Multi-year grants	**$ 3,506,451**	$ 3,415,640
Individual artist grants	**225,460**	218,300
Project grants	**153,750**	168,000
Arts Development	**125,000**	160,000
Indigenous Arts Leaders Fellowship	**60,000**	-
Youth WITH ART	**50,000**	60,000
Professional development grants	**33,750**	37,300
Jury honoraria and expenses	**19,971**	12,252
Poet Laureate	**10,169**	7,296
Carol Shields Winnipeg Book Award	**6,750**	6,750
Translation services	**5,163**	2,141
	$ 4,196,464	$ 4,087,679
ADMINISTRATIVE EXPENSES		
Board and committee meetings	**$ 6,445**	$ 7,040
Hospitality and promotion	**6,114**	5,074
Professional and consultant fees	**21,625**	12,064
Professional development, membership and conferences	**8,117**	5,495
Rent and utilities	**55,879**	53,685
Salaries and benefits	**359,498**	372,838
Supplies and other office expenses	**29,980**	36,487
Telecommunications	**4,034**	5,872
	$ 491,692	$ 498,555
PUBLIC ART EXPENSES		
Program administration	**$ 75,000**	$ 75,000
Selection process	**21,979**	13,646
Artwork development	**20,832**	60,866
Artwork commission/production	**873,022**	606,859
Professional services	**113,642**	107,628
Maintenance	**62,212**	-
Public education	**56,344**	56,333
Research, planning and marketing	**-**	3,810
	$ 1,223,031	$ 924,142

See accompanying notes to the financial statements

Photo: Simeon Rusnak, courtesy Tourism Winnipeg

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

Year ended December 31

	2018	2017
ASSETS		
Current assets		
Cash	**$ 43,821**	$ 61,957
Guaranteed investment certificate (note 3)	**5,031**	2,002
GST receivable	**1,719**	764
Prepaid expenses	**75**	2,038
	$ 50,646	$ 66,761
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	**$ 60**	$ 230
NET ASSETS		
Unrestricted	**50,586**	66,531
	$ 50,646	$ 66,761

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF OPERATIONS

Year ended December 31

	2018	2017
REVENUE		
City of Winnipeg operating grant	**$ 79,315**	$ 79,315
Interest and other revenue	**250**	-
	79,565	79,315
EXPENDITURES		
Administrative	**21,266**	10,152
Development and research	**6,584**	9,457
Foundation donation	**10,000**	20,000
Outreach projects	**34,931**	28,644
Promotion and advertising	**4,220**	7,031
Sponsorship	**18,509**	10,500
	95,510	85,784
DIFFERENCE BETWEEN REVENUE AND EXPENDITURES	**$ (15,945)**	$ (6,469)

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2018	2017
Net assets, beginning of year	**$ 66,531**	$ 73,000
Difference between revenue and expenditures	**(15,945)**	(6,469)
Net assets, end of year	**$ 50,586**	$ 66,531

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF CASH FLOWS

December 31

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**$ (15,945)**	$ (6,469)
Change in non-cash working capital		
GST receivable	**(955)**	(343)
Prepaid expenses	**1,963**	279
Accounts payable	**(170)**	(10,077)
	(15,107)	(16,610)
INVESTING ACTIVITIES		
Purchase of guaranteed investment certificate	**(3,029)**	(2,002)
Change in cash	**(18,136)**	(18,612)
CASH, beginning of year	**61,957**	80,569
CASH, end of year	**$ 43,821**	$ 61,957

WINNIPEG PUBLIC LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2018

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):

b) Financial instruments (continued)-

that may incur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures cash, guaranteed investment certificate 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. Interest is recognized on a time proportion basis.

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. Included in administrative expense is $1,372 in office equipment that was expensed in the statement of operations (2017 - $nil).

3. Guaranteed investment certificate:

The Organization purchased a guaranteed investment certificate that matures January 12, 2019 (2017 - November 6, 2018) and bears interest at 0.65% (2017 - 0.5%).

4. Economic dependence:

The organization is dependent on the City of Winnipeg as its primary source of revenue. Should this funding substantially change, management is of the opinion that continued viable operations would be doubtful.

5. *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 a 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:

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.

6. *Commitments:*

The Organization has entered into a contract for administrative and other consulting services until March 3, 2019. The contracted services have been fixed to a rate of $35 per hour on an as needed basis.


Photo: City of Winnipeg

ASSINIBOINE PARK CONSERVANCY INC.

BALANCE SHEET

December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	**$ 16,297,134**	$ 8,058,384
Accounts receivable	**1,049,428**	300,977
Government grants receivable	**3,338,798**	7,414,153
Government remittances receivable	**224,445**	322,092
Inventory	**354,400**	318,351
Prepaid expenses	**410,539**	343,643
	21,674,744	16,757,600
CAPITAL ASSETS (Note 4)	**139,727,332**	113,706,416
ART COLLECTIONS (Note 5)	**14,057,344**	14,057,344
EMPLOYEE BENEFITS RECEIVABLE (Note 6)	**202,778**	334,235
	$ 175,662,198	$ 144,855,595
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 8,892,012**	$ 5,389,545
Deferred contributions - operating (Note 7)	**500,450**	370,155
Notes payable (Note 8)	**3,500,000**	4,800,000
Current portion of long-term debt (Note 9)	**-**	270,000
	12,892,462	10,829,700
DEFERRED CONTRIBUTIONS - OPERATING (Note 7)	**-**	202,205
DEFERRED CONTRIBUTIONS - CAPTIAL (Note 10)	**148,340,009**	119,123,436
LONG-TERM DEBT (Note 9)	**-**	274,747
ACCRUED EMPLOYEE BENEFITS (Note 6)	**135,281**	139,593
	161,367,752	130,569,681
COMMITMENTS (Note 18)		
NET ASSETS		
Restricted (Notes 2(c) and 5)	**14,057,344**	14,057,344
Internally Restricted (Notes 2(g) and 14)	**225,000**	225,000
Unrestricted	**12,102**	3,570
	14,294,446	14,285,914
	$ 175,662,198	$ 144,855,595

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2018

	2018	2017
REVENUE		
City of Winnipeg (Note 11)	**$ 10,876,000**	$ 10,840,000
Other operating grants (Note 13)	**176,348**	232,821
Gifts and sponsorships (Note 12 and 13)	**1,257,937**	1,138,177
Amortization of deferred contributions	**7,872,987**	7,124,551
Interest and other income	**102,122**	41,869
Park revenues	**11,778,883**	11,862,305
	32,064,277	31,239,723
Direct costs of park revenues (Note 11)	**7,399,755**	7,245,012
EXPENSE	**24,664,522**	23,994,711
Administration (Note 11)	**1,443,346**	1,410,940
Amortization of capital assets	**7,568,720**	7,147,025
Insurance	**199,563**	216,700
Interest	**119,231**	138,425
Operations (Note 11)	**2,314,764**	2,287,043
Utilities (Note 11)	**1,036,669**	974,568
Wages, benefits and contract services (Note 11)	**11,941,360**	11,675,196
Donation to Winnipeg Foundation - ParkShare (Note 12)	**32,337**	67,739
	24,655,990	23,917,636
EXCESS OF REVENUE OVER EXPENSE	**$ 8,532**	$ 77,075

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2018

	2018				2017
	Restricted Net Assets	**Internally Restricted Net Assets**	**Unrestricted Net Assets**	**Total**	Total
Balance, beginning of year	**$ 14,057,344**	**$ 225,000**	**$ 3,570**	**$ 14,285,914**	$ 14,208,839
Excess of revenue over expense	**-**	**-**	**8,532**	**8,532**	77,075
Interfund transfers (Notes 14)	**-**	**-**	**-**	**-**	-
Balance, end of year	**$ 14,057,344**	**$ 225,000**	**$ 12,102**	**$ 14,294,446**	$ 14,285,914

ASSINIBOINE PARK CONSERVANCY INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expense	**$ 8,532**	$ 77,075
Items not affecting cash:		
Amortization of capital assets	**7,568,720**	7,147,025
Amortization of deferred contributions	**(7,872,987)**	(7,124,551)
	(295,735)	99,549
Changes in non-cash operating working capital items:		
Accounts receivable	**(748,451)**	(47,442)
Government grants receivable	**4,075,355**	(7,414,153)
Government remittances receivable	**97,647**	(280,696)
Inventory	**(36,049)**	(31,773)
Prepaid expenses	**(66,896)**	(346)
Accounts payable and accrued liabilities	**3,502,467**	1,842,225
Deferred contributions - operating	**(71,910)**	15,664
	6,456,428	(5,816,972)
FINANCING ACTIVITIES		
Deferred contributions - capital	**37,089,560**	21,219,762
Repayment of notes payable	**(1,300,000)**	(1,350,000)
Repayment of long term debt	**(544,747)**	(323,497)
Change in employee benefits receivable	**131,457**	86,440
Change in accrued employee benefits	**(4,312)**	(49,915)
	35,371,958	19,582,790
INVESTING ACTIVITIES		
Acquisition of capital assets	**(33,589,636)**	(17,348,102)
	(33,589,636)	(17,348,102)
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	**8,238,750**	(3,582,284)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	**8,058,384**	11,640,668
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	**$ 16,297,134**	$ 8,058,384

ASSINIBOINE PARK CONSERVANCY INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, up to $50 million, of the cost of major capital redevelopment of Park attractions and amenities. It is anticipated that the Province of Manitoba, the federal government and the private sector will also be partners in the redevelopment over the next two 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. Non-monetary gifts are recorded at fair value in revenue when received.

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 asset's 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 both the legacy and other 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, except on investments purchased using contributions subject to external restrictions, which are recognized as increases or decreases to the deferred contribution - capital balance.

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.

2. *Significant Accounting Policies (continued)*

d) Financial instruments (continued)

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 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.

f) Internally restricted net assets

The Conservancy has internally restricted certain funds for a fiscal stabilization reserve to support the long-term sustainability of the organization.

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 $2,341,961 (2017 - $534,877)

4. *Capital Assets*

	2018			2017
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Park facility improvements	**$ 100,233,408**	**$ 17,649,143**	**$ 82,584,265**	$ 80,781,243
Grounds improvements	**11,813,972**	**6,103,792**	**5,710,180**	6,653,698
Park equipment and systems	**21,161,622**	**15,452,327**	**5,709,295**	7,639,962
Moving equipment	**1,973,686**	**1,006,217**	**967,469**	1,055,003
Construction in progress	**44,756,123**	**-**	**44,756,123**	17,576,510
	$ 179,938,811	**$ 40,211,479**	**$ 139,727,332**	$ 113,706,416

The Province of Manitoba has a $30 million investment in the Leatherdale International Polar Bear Conservation Centre ("LIPBCC") and Polar Bear Facilities, which include the Gateway to the Artic 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.

4. *Capital Assets (continued)*

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 LIPBCC and the Polar Bear Facilities are located within the Park. An Operations Agreement gives the Conservancy responsibility for operating these buildings. Under the Operations Agreements, the Province will provide future capital funding for required capital repairs and replacements to the LIPBCC and the Polar Bear Facilities to ensure that it continues to meet the standards of the Province over the term of the Ground Sublease Agreement. Under an Insurance Agreement, the Province has assumed responsibility for providing insurance for the LIPBCC and the Polar Bear Facilities.

In 2017, the Conservancy began construction on Canada's Diversity Gardens, which will include a new conservatory called the Leaf and three exterior gardens, the Cultural Mosaic Gardens, the Indigenous Peoples Gardens and the Grove. Canada's Diversity Gardens is being funded with grants from the Federal government, the Province of Manitoba and the City of Winnipeg and with gifts from the private sector.

During the year an additional $415,243 was expensed to amortization for certain assets that had reached the end of their useful lives.

5. *Art Collections*

The art collections include approximately 4,072 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. Shepard's portrait of Winnie the Pooh and A.A. Milne's book, titled "Now We are Six". The Conservancy did not receive or dispose of any works of art during the year ending December 31, 2018.

	2018	2017
Legacy art collections	**$ 13,559,652**	$ 13,559,652
Other art collections	**497,692**	497,692
	$ 14,057,344	$ 14,057,344

6. *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 $67,498 which represents the vacation pay earned by CUPE 500 employees while they were employed by the City to September 30, 2010.

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 $135,280 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 2019 and therefore the receivable and liability are both recorded as long-term.

6. *Employee Benefits Receivable and Accrued Employee Benefits (continued)*

		2018		2017
Vacation pay receivable	**$**	**67,498**	$	194,643
Sick pay severance receivable		**135,280**		139,592
	$	**202,778**	$	334,235

7. *Deferred Contributions - Operating*

The balance in current deferred contributions - operating at December 31, 2018 represents $227,455 (2017 - $308,792) of externally designated funds to be used to offset 2019 operating costs, $ 152,406 (2017 - $nil) of externally designated funds to be used to offset repairs and maintenance in Leo Mol Gardens and $120,589 (2017 - $61,363) of funds to be used to offset 2019 costs of conservation and research activities.

8. *Notes Payable*

The Conservancy arranged a loan facility with a financial institution for up to $17 million for the purpose of bridge financing the construction of the Journey to Churchill. As at December 31, 2018, the amount owing on the loan is $3,500,000 (2017 - $4,800,000). The demand loan is secured by a guarantee signed by the City, and on expiration of the guarantee, is repayable in full by December 31, 2020. In 2016, the City approved an additional guarantee in the amount of $500,000 to provide the Conservancy with an operating line of credit for operational cash flow management purposes.

The Conservancy arranged an additional loan facility with a financial institution for up to $11 million for the purpose of bridge financing the construction of Canada's Diversity Gardens. The demand loan is a revolving loan up until December 31, 2019, at which time the loan will become a non-revolving loan. The demand loan is secured by a guarantee signed by the City and, on expiration of the guarantee, is repayable in full by December 31, 2020. The Conservancy did not require loan proceeds to fund construction costs during the year ending December 31, 2018.

Interest on these loans is at prime less 0.75%. Principal repayments on notes payable of $3,500,000 are due on demand in the upcoming year.

9. *Long-Term Debt*

In 2013, 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 was repaid in full during the year.

9. Long-Term Debt (continued)

	#	2018		2017
Manitoba Hydro loan payable, repaid in the year	**$**	**-**	$	544,747
Less: current portion		**-**		(270,000)
		-		274,747

10. Deferred Contributions - Capital

During the year, the Conservancy received contributions totaling $37,089,560 (2017 - $21,219,762) 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.

		2018		2017
Balance, beginning of year	**$**	**119,123,436**	$	105,028,225
Contributions received		**37,089,560**		21,219,762
Amortization of deferred contributions		**(7,872,987)**		(7,124,551)
Balance, end of year	**$**	**148,340,009**	$	119,123,436

Pledges made by donors are not recognized as contributions until received from the donor in cash or in kind.

11. City of Winnipeg

The City of Winnipeg is a significant operating partner of the Conservancy, providing a significant portion of its operating funding in 2018 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, 2018 are as follows.

City of Winnipeg balances

As described in Note 6, as at December 31, 2018, the Conservancy has a long-term receivable of $202,778 (2017 - $334,235) from the City relating to employee benefits for CUPE 500 employees who were previously employed by the City. The Conservancy also has $114,896 (2017 - $nil) included in accounts receivable as at December 31, 2018 related to these employee benefits.

Included in accounts payable and accrued liabilities at December 31, 2018, are amounts due to the City of $341,855 (2017 - $256,950).

11. City of Winnipeg (continued)

City of Winnipeg transactions

During the year, the Conservancy recognized funding received from the City of Winnipeg into operating revenue of $10,876,000 (2017 - $10,840,000).

Additionally, during the year, the Conservancy received capital contributions of $15,123,000 (2017 - $5,123,000) 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 administration expense are costs paid to the City of $163 (2017 - $4,427). Included in insurance is an insurance deductible paid to the City in the amount of $5,000 (2017 - $5,000). Included in operations expense are waste disposal, horticulture, maintenance and fleet costs paid to the City of $88,112 (2017 - $69,547). Included in utilities expense are water costs paid to the City of $323,690 (2016 - $227,058). Included in wages, benefits and contract services are pension plan benefit costs paid to the City of $183,168 (2017 - $209,583).

12. Endowments Held by the Winnipeg Foundation

The Conservancy is the beneficiary of six endowment funds, held and controlled by the Winnipeg Foundation, as of December 31, 2018. 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:

	2018	2017
Lyric Program Fund	**$ 80,189**	$ 87,017
Assiniboine Park Bandshell Inc. Fund	**267,052**	289,794
Assiniboine Park Zoo Endowment Fund	**20,062**	21,771
Leo Mol Sculpture Garden Fund	**291,899**	315,640
Assiniboine Park Conservancy Fund	**56,401**	60,746
ParkShare Endowment Fund	**560,790**	467,114
	$ 1,276,393	$ 1,242,082

12. *Endowments Held by the Winnipeg Foundation (continued)*

The purpose of the Assiniboine Park Bandshell Inc. Fund is to support the ongoing maintenance, operation and programming at the Lyric Theatre. The Lyric program fund supports programs at the Lyric Theatre as well as its general operating and ongoing maintenance, consistent with the purpose of the Assiniboine Park Bandshell Inc. Fund. The Assiniboine Park Zoo Endowment Fund was created by the Zoological Society of Manitoba to enhance the facilities and programs of the Assiniboine Park Zoo. The Leo Mol Sculpture Garden Fund was formed thanks to a generous bequest of Mrs. Margareth Mol, and was created to upkeep, maintain and sustain the Leo Mol Sculpture Garden. The Assiniboine Park Conservancy Fund is to be used at the discretion of the Board of Directors of the Conservancy in accordance with their charitable mandate. Gifts to this fund are pooled and invested to benefit the Conservancy in perpetuity. The ParkShare Endowment Fund is designated to build an endowment that will address the issue of accessibility to Park and Zoo programming, admissions & transportation for children, youth and senior groups facing financial barriers.

During the year, The Winnipeg Foundation distributed $36,537 (2017 - $32,356) in income to the Conservancy from these Funds. In addition, $17,194 (2017 - $10,438) in income for the ParkShare Endowment Fund was capitalized. During the year, Assiniboine Park Conservancy Inc. transferred $32,337 (2017 - $67,739) to The Winnipeg Foundation in gifts received from donors in support of the ParkShare Endowment Fund.

13. *Conservation and Research*

During the year, $101,076 (2017 - $70,443) in deferred Conservation and Research grants and restricted gifts were included in revenue to offset current year Conservation and Research expenses of $101,076 (2017 - $70,443). In addition, operating funds were used to support Conservation and Research activities including animal rescue, research, salaries and supplies in the amount of $317,923 (2017 - $274,126).

In the current year, the Conservancy fundraised and paid funds directly to other Conservation organizations as follows:

	2018	2017
Manitoba Burrowing Owl Recovery Program	$ **-**	$ 110
Lake Winnipeg Foundation	**346**	817
Red Panda Network	**3,390**	3,600
Snow Leopard Trust	**3,640**	2,435
	$ 7,376	$ 6,962

14. *Interfund Transfers and Internally Restricted New Assets*

In the current year, $nil (2017 - $75,000) of unrestricted net assets was transferred to the Internally Restricted Fund to support the fiscal stabilization reserve. The internally restricted amounts are not available for unrestricted purposes without approval of the Board of Directors.

15. Capital Management

The objective of the Board of Directors of Assiniboine Park Conservancy Inc., when managing capital, is to safeguard the ability of the Conservancy to continue as a going concern. The Board of Directors considers capital management in two components: First, for the Conservancy's capital activities, capital is raised through government contributions and private sector fundraising. Authorization of capital projects is provided as funding for each redevelopment project is confirmed. Second, for the Conservancy's operating activities, the Board seeks to operate with a modest surplus annually so that sufficient net assets are retained to manage the risk inherent in the Conservancy's expanding operations. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. There have been no significant changes to the Board's capital management policy during the past year.

16. Non-Monetary Transactions

During the year, the Conservancy received amounts for operating purposes of $106,131 (2017 - $98,447) without consideration.

The transactions were recorded at the fair value of the goods or services received.

17. Pension

The Conservancy maintains a defined benefit contribution pension plan for its union employees and a group RRSP plan for its non-union employees.

Employees who are part of the CUPE union are members of the Winnipeg Civic Employees Benefits Program. While the plan is a defined benefit pension plan, it is accounted for as a defined contribution plan given that it is a multi-employer plan which makes it difficult to differentiate the Conservancy's portion.

The Conservancy's pension contribution and expense for the year to the Winnipeg Civic Employees Benefits Program plan and the group RRSP plan was $714,118 (2017 - $709,027).

18. Commitments

The Conservancy has entered into a construction management agreement with a construction company to build Canada's Diversity Gardens in the southeast corner of Assiniboine Park. Under the agreement, the construction manager acts as an agent for the Conservancy and tenders, awards, and enters into all legal agreements with the subcontractors. As at December 31, 2018, the construction manager has numerous contractual agreements with subcontractors relating to Canada's Diversity Gardens. The Conservancy has also entered into an agreement with the prime architect for Canada's Diversity Gardens and with other companies for other ongoing capital projects at the Park. Canada's Diversity Gardens is scheduled to be completed in the fall of 2020.

Total contract values committed to under signed agreements as at December 31, 2018, for work to be completed, is $31,789,371 (2017 - $34,187,259). These amounts are to be paid over the construction period of the projects which are expected to be ready for use in future years.

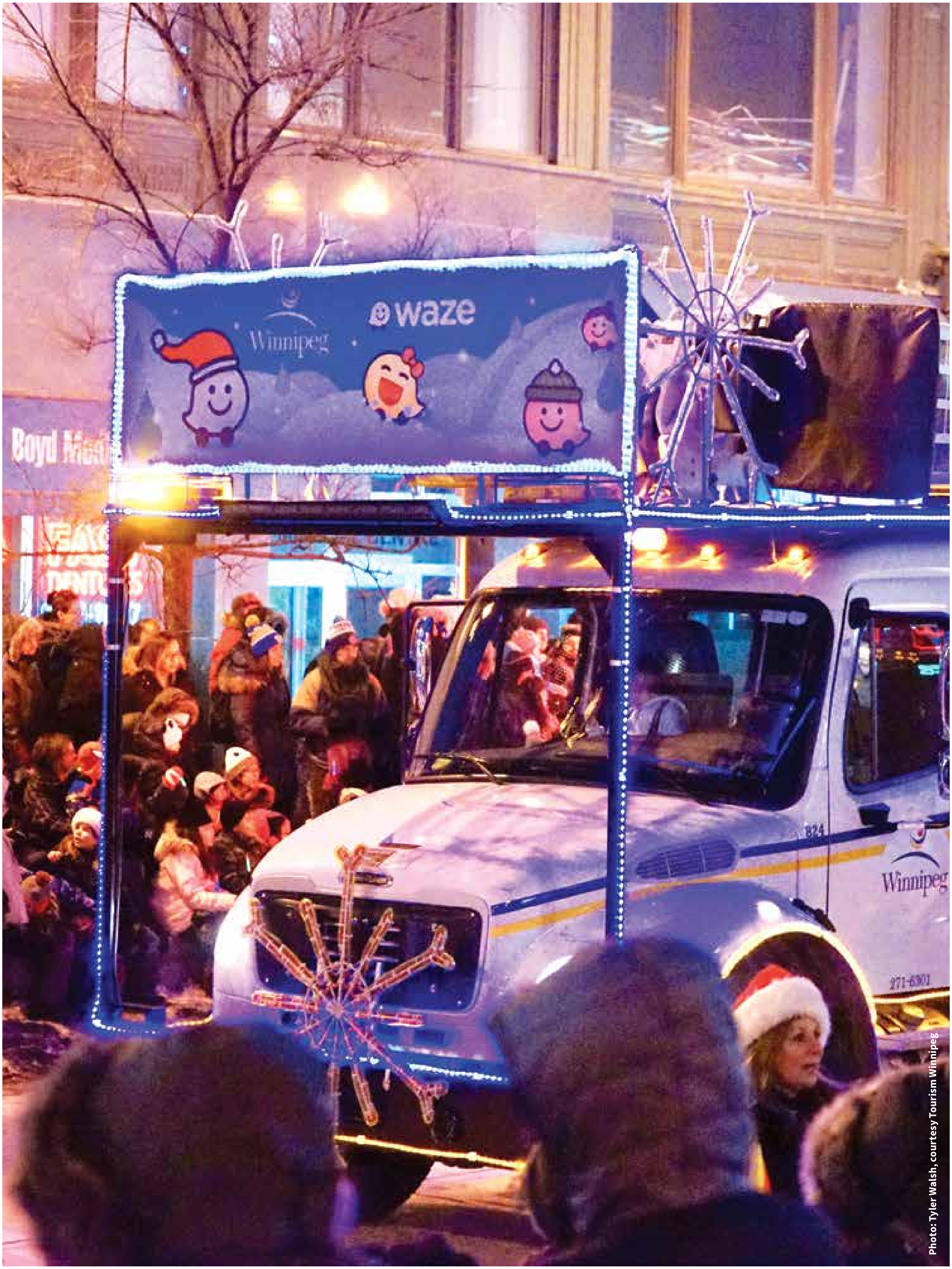

Photo: Tyler Walsh, courtesy Tourism Winnipeg

2018 Other
Detailed Financial Statements

Photo: Bill Acheson, courtesy Tourism Winnipeg

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018 with comparative information for 2017

	2018	2017
ASSETS		
Current assets:		
Cash	**$ 234,442**	$ 1,360,070
Investments (Note 3)	**2,685,886**	678,422
Accounts receivable	**295,007**	428,000
Prepaid expenses	**79,989**	169,902
	3,295,324	2,636,394
Capital assets (Note 4)	**491,573**	574,711
	$ 3,786,897	$ 3,211,105
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 107,304**	$ 139,497
Deferred rent	**49,501**	38,452
Deferred lease inducement	**291,080**	332,305
Deferred contributions:		
Future expenses (Note 5)	**391,887**	498,548
	839,772	1,008,802
Net assets:		
Invested in capital assets	**491,573**	574,711
Unrestricted	**1,755,552**	1,277,592
Internally restricted:		
Appropriated for stabilization fund (Note 6)	**700,000**	350,000
	2,947,125	2,202,303
Commitments (Note 7)		
	$ 3,786,897	$ 3,211,105

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2018 with comparative information for 2017

	2018	2017
REVENUE		
Funding:		
The City of Winnipeg	**$ 3,802,613**	$ 3,490,979
Province of Manitoba (Note 11)	**1,103,290**	1,092,800
Partnerships and investors contributions	**1,244,214**	1,535,602
Interest	**46,958**	18,985
	6,197,075	6,138,366
EXPENDITURES		
Initiatives and marketing	**1,791,777**	1,881,152
Personnel	**2,959,673**	2,872,519
Administrative	**399,346**	390,223
Occupancy and facilities	**301,457**	295,311
	5,452,253	5,439,205
EXCESS OF REVENUE OVER EXPENDITURES	**$ 744,822**	$ 699,161

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2018 with comparative information for 2017

	Invested in Capital Assets	Unrestricted	Internally restricted	2018 Total	2017 Total
Balances, beginning of year	**$ 574,711**	**$ 1,277,592**	**$ 350,000**	**$ 2,202,303**	$ 1,503,142
Excess (deficiency) of revenue over expenditures	**(114,015)**	**858,837**	**-**	**744,822**	699,161
Transfer to internally restricted net assets (Note 6)	**-**	**(350,000)**	**350,000**	**-**	-
Transfer for acquisition of capital assets	**30,877**	**(30,877)**	**-**	**-**	-
Balances, end of year	**$ 491,573**	**$ 1,755,552**	**$ 700,000**	**$ 2,947,125**	$ 2,202,303

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2018 with comparative information for 2017

	2018	2017
Cash provided by (used in)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**$ 744,822**	$ 699,161
Items not involving cash:		
Amortization of capital assets	**114,015**	87,172
Amortization of deferred rent	**11,049**	12,485
Amortization of deferred lease inducement	**(41,225)**	(27,695)
Change in non-cash operating working capital:		
Accounts receivable	**132,993**	50,131
Prepaid expenses	**89,913**	(46,419)
Accounts payable and accrued liabilities	**(32,193)**	(278,125)
Net increase (decrease) in deferred contributions future expenses	**(106,661)**	244,790
	912,713	741,500
CAPITAL ACTIVITIES		
Purchase of capital assets	**(30,877)**	(94,074)
INVESTING ACTIVITIES		
Investments, net	**(2,007,464)**	(4,097)
INCREASE (DECREASE) IN CASH	**(1,125,628)**	643,329
CASH, beginning of year	**1,360,070**	716,741
CASH, end of year	**$ 234,442**	$ 1,360,070

See accompanying notes to financial statements

ECONOMIC DEVELOPMENT WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2018

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 sales team. EDW is also responsible for the City's tourism development activities, which it orchestrates through its Tourism Winnipeg team. Tourism Winnipeg's 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 re-measurement gains and losses until they are realized, when they are transferred to the Statement of Revenue and Expenditures.

The Organization did not incur any re-measurement gains and losses during the year ended December 31, 2018 (2017 - nil) and therefore a statement of re-measurement gains and losses is not required to be included in these financial statements.

All financial assets, excluding investments, 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 re-measurement gains and losses.

2. *Significant accounting policies (continued):*

When the asset is sold, the unrealized gains and losses previously recognized in the statement of re-measurement 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) Deferred lease inducement:

The Organization leases its office space. Landlord inducements are deferred and amortized as reductions to rent expense on a straight-line basis over the same period.

f) Income taxes:

The Organization is a not-for-profit organization under the *Income Tax Act* and, accordingly, is exempt from income taxes, providing certain requirements of the *Income Tax Act* are met.

g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. *Investments:*

Investments consist of investments in money market instruments aggregating $575,886 (2017 - $567,872) and guaranteed investment certificates aggregating $2,110,000 (2017 - $110,550). The fair value of money market instruments and guaranteed investment certificates have been determined using Level 1 and Level 2, respectively, of the fair value hierarchy.

4. *Capital assets:*

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
Computer hardware and software	**$ 190,402**	**$ 113,118**	**$ 77,284**	$ 78,346
Office furniture and fixtures	**193,188**	**102,768**	**90,420**	130,232
Leasehold improvements	**697,607**	**373,738**	**323,869**	366,133
	$ 1,081,197	**$ 589,624**	**$ 491,573**	$ 574,711

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.

	2018	2017
Balance, beginning of year	**$ 498,548**	$ 253,758
Amounts received during the year	**865,793**	1,308,260
	1,364,341	1,562,018
Less: amounts recognized into revenue in the year	**(972,454)**	(1,063,470)
Balance, end of year	**$ 391,887**	$ 498,548

Deferred contributions for future expenses are related to the following initiatives:

	2018	2017
Yes! Winnipeg:		
Province of Manitoba funding	**$ -**	$ 67,500
Investors contributions	**86,000**	138,000
Team Winnipeg	**23,528**	25,558
Winnipeg Tour Connection	**32,359**	17,490
Our Winnipeg Initiative	**125,000**	125,000
Open data project	**125,000**	125,000
Balance, end of year	**$ 391,887**	$ 498,548

6. *Internally restricted:*

Sustainability reserve:

During the year ended December 31, 2017, the Board approved an internally restricted sustainability reserve to be funded through a transfer from unrestricted net assets. During the year ended December 31, 2018, $350,000 (2017 - $350,000) was transferred to the sustainability reserve from unrestricted net assets. The sustainability reserve was established to compensate for unexpected fluctuations in revenue.

7. Commitments:

The Organization is committed under leases for office premises for a total of $1,327,000. The minimum lease payments over the next five years are as follows:

2019	$	152,000
2020		153,000
2021		160,000
2022		161,000
2023		168,000

8. Segregated fund:

The Organization holds funds that are segregated for partners (including the Organization) in a separate account for a special event marketing fund. This fund is held in interest-bearing accounts for the benefit of special event marketing activities. Payments to the special event marketing fund are based on recommendations approved by The City of Winnipeg's council on October 22, 2008.

The balance of these funds and the income and expenditures associated therewith are not included in these financial statements.

		2018		2017
Special event marketing fund:				
Balance, beginning of year	**$**	**788,030**	$	760,504
Funds received during the year		**1,000,000**		1,000,000
Funds used during the year		**(641,353)**		(977,794)
Interest earned		**11,440**		5,320
Balance, end of year, and amount of funds held	**$**	**1,158,117**	$	788,030

The following commitments have been entered into from the special marketing fund towards several tourism attractions utilizing funds held at December 31, 2018 or funds to be received within the fiscal years:

2019	$	826,253
2020		661,269
2021		117,129

9. 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.

9. *Financial risks (continued):*

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, 2018 is the carrying value of these assets.

At December 31, 2018, the amount of accounts receivable past due, net of the allowance for doubtful accounts, is $26,747 (2017 - nil)

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 2017.

(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 2018.

There have been no significant changes to the liquidity risk exposure from 2017.

10. *Defined contribution plan:*

The employees of the Organization are members of a voluntary group registered retirement savings plan administered by RBC Asset Management Inc.

Employer contributions made to the plan during the year amounted to $90,565 (2017 - $92,701).

11. *Funding from the Province of Manitoba - Partners in Economic Growth (PEG):*

During fiscal 2018, the Organization received funding under the Province of Manitoba's Partners in Economic Growth (PEG) program, with total revenue recognized during fiscal 2018 of $1,103,290 (2017 - $1,092,800). The revenue recognized by the Organization includes $178,000 received relating to the Province of Manitoba's (Province) 2017/18 fiscal year (April 1, 2017 to March 31, 2018), the recognition of $67,500 in deferred contributions from 2017, and $857,790 of revenue from the Province's 2018/19 fiscal year (April 1, 2018 to March 31, 2019).

During the year, the Organization entered into a formal funding agreement with the Province for the funding to be received for the Province's 2018/19 fiscal year. The agreement includes the payment of three installments. The first installment was received on July 23, 2018 and the second installment was received on January 7, 2019. During the year the Organization recognized $857,790 of the Province's 2018/19 funding, representing the period April 1, 2018 to December 31, 2018. The remainder of the 2018/19 funding of $413,010 will be recognized January 1, 2019 to March 31, 2019 including the final payment of $127,080 once the Province's reporting requirements are considered to be met.

11. Funding from the Province of Manitoba - Partners in Economic Growth (continued):

The use of the funds provided by the 2018/19 PEG funding are as follows:

	Recognized in 2018	To be recognized in 2019 (Unaudited)	Total (Unaudited)
Personnel	**$ 446,040**	**$ 214,760**	**$ 660,800**
Occupancy and facilities	**54,000**	**26,000**	**80,000**
Administrative	**40,500**	**19,500**	**60,000**
Initiatives and marketing	**317,250**	**152,750**	**470,000**
Total	**$ 857,790**	**$ 413,010**	**$ 1,270,800**

Photo: City of Winnipeg

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 2018 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported no net income or accumulated surplus for the year ended and as at December 31, 2018.

The total reserve for retirement of debenture debt is $60,000,000 as at December 31, 2018 (2017 - $60,000,000) which represents full funding of all future Sinking Fund instalments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt, as provided for by the Manitoba Hydro Electric Board debentures held by the Sinking Fund.

As a result of the February 2029 debt being assumed by Manitoba Hydro, the role of the Sinking Fund Trustees is greatly reduced, as there are no investments to actively manage. City Council appointed three City of Winnipeg employees as Sinking Fund Trustees, effective January 1, 2018, along with the City's Chief Financial Officer, Mr. Michael Ruta.

Respectfully submitted,

M. RUTA Chairman

R. PROVENCHER Secretary

T. YANCHISHYN Trustee

P. OLAFSON Trustee

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2018	2017
ASSETS		
Cash (Note 3)	**$ 1**	$ -
Due from City of Winnipeg (Note 8)	**6**	10
Accrued interest receivable (Note 5)	**1,474**	1,474
Investment in debentures (Note 4)	**60,000**	60,000
	$ 61,481	$ 61,484
LIABILITIES AND RESERVE		
Accrued interest payable (Note 5)	**$ 1,474**	$ 1,474
Accrued liabilities	**7**	10
	1,481	1,484
Reserve for retirement of debenture debt (Note 6)	**60,000**	60,000
	$ 61,481	$ 61,484

See accompanying notes and schedule to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF INCOME

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

	2018	2017
Interest income (Schedule 1)	**$ 3,540**	$ 4,803
Interest requirements - Manitoba Hydro debentures (Note 8)	**(3,540)**	(4,636)
Interest requirements - debenture debt reserves	**-**	(1,221)
Deficit of interest earned under requirements	**-**	(1,054)
Contributions from City of Winnipeg:		
Contribution towards administration expenses (Note 8)	**8**	10
Settlement of debt servicing obligations (Note 8)	**-**	17,000
	8	15,956
Administration expenses	**8**	13
Net income for the year	**$ -**	$ 15,943

See accompanying notes and schedule to the financial statements

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF ACCUMULATED SURPLUS (DEFICIT)

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

	2018	2017
Balance, beginning of year	**$ -**	$ (15,943)
Less:		
Net income for the year	**-**	15,943
Balance, end of year	**$ -**	$ -

See accompanying notes and schedule 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)

	2018	2017
Balance, beginning of year	**$ 60,000**	$ 107,872
Add:		
Instalments - City of Winnipeg (Note 8)	**-**	907
Interest credited - debenture debt reserves	**-**	1,221
	60,000	110,000
Deduct:		
Applied to debt redemption	**-**	(50,000)
Balance, end of year	**$ 60,000**	$ 60,000

See accompanying notes and schedule 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)

	2018	2017
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income for the year	**$ -**	$ 15,943
Add (deduct) items not impacting cash and short-term investments		
Interest requirements - debenture debt reserves	**-**	1,221
Net bond premium amortization	**-**	149
Income accrued - bond residues and coupons	**-**	(19)
Settlement of debt servicing obligation (Note 8)	**-**	(17,000)
	-	294
Change in non-cash operating accounts	**1**	49
	1	343
FINANCING ACTIVITIES		
Applied to debt redemption (Note 8)	**-**	(33,000)
Instalments - City of Winnipeg (Note 8)	**-**	907
	-	(32,093)
INVESTING ACTIVITIES		
Acquisition of investments in bonds and debentures	**-**	(303)
Proceeds from bond and debenture sales	**-**	1,505
Proceeds from bond and debenture maturities	**-**	29,271
	-	30,473
Increase (decrease) in cash and short-term investments	**1**	(1,277)
Cash and short-term investments, beginning of period	**-**	1,277
Cash, end of period	**$ 1**	$ -

See accompanying notes and schedule to the financial statements

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2018
(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 debentures

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.

For these 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*

Cash is held on deposit with a major Canadian Chartered Bank.

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 term to maturity and related book and par values of investments in debentures held by the Fund at December 31 are as follows:

	2018		2017	
Term To Maturity	**Par Value**	**Book Value**	Par Value	Book Value
Greater than five years	**$ 60,000**	**$ 60,000**	$ 60,000	$ 60,000

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, 2018 the Fund's maximum credit risk exposure at fair market value was $60 million (2017 - $60 million).

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 the Sinking Fund is required to:

a) Hold the Manitoba Hydro Electric Board debentures issued by Manitoba Hydro to the City of Winnipeg in connection with the Winnipeg Hydro portion of the City of Winnipeg's debt. The debentures were issued for the purpose of enabling the City of Winnipeg to repay the Winnipeg Hydro portion of the City of Winnipeg'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 of Winnipeg's debt. The debentures are guaranteed by the Province and are non-transferable and non-redeemable prior to maturity. The debentures pay interest twice annually in February and August at a rate of 5.9%.

The book value of the Manitoba Hydro Electric Board debentures as at December 31, 2018 amounted to $60 million (2017 - $60 million).

b) Pay all principal and interest received on the Manitoba Hydro debentures to the City of Winnipeg for the payment of principal and interest on the Winnipeg Hydro portion of the City of Winnipeg's debt.

Accrued interest receivable and identical offsetting accrued interest payable on the Manitoba Hydro debentures amounted to $1.5 million at December 31, 2018 (2017 - $1.5 million).

As the receipt of the Manitoba Hydro debentures represents full funding of all future Sinking Fund instalments and interest related to the Winnipeg Hydro portion of the City of Winnipeg's Sinking Fund debt, no further amounts are required to be levied and contributed to the Sinking Fund in respect of this portion of the debt.

6. *Reserve for Retirement of Debenture Debt*

As at December 31, 2018 the reserve for retirement of debenture debt is allocated towards Sinking Fund debentures as follows:

	Amortized Cost		
Maturity Year	Hydro Portion	Total	Maturity Value
2029	$ 60,000	$ 60,000	$ 60,000

As at December 31, 2018, the reserve for retirement of debenture debt includes $60 million (2017 - $60 million), representing full funding of all future Sinking Fund instalments and interest on the Winnipeg Hydro portion of the City of Winnipeg's Sinking Fund debt as provided for by the Manitoba Hydro Electric Board debentures held by the Sinking Fund.

7. *Capital*

The Fund's objective when managing capital is to pay The City of Winnipeg at or before the maturity of each respective sinking fund debenture all amounts collected from interest earned thereon.

The Fund invests in securities with maturities that 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 at no charge. The Fund is the managed party under the Investment Management Agreement.

For the year ended December 31, 2018, the Fund and the City of Winnipeg entered into the following transactions:

The City of Winnipeg paid $nil (2017 - $907 thousand) in levies to the Fund at the amounts prescribed by the applicable Sinking Fund debenture By-laws.

The City of Winnipeg paid $nil (2017 - $184 thousand) 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 $3.5 million (2017 - $4.6 million) of Manitoba Hydro Electric Board 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 $nil (2017 - $33 million) to the City of Winnipeg in respect of debentures maturing. 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.

The City of Winnipeg paid $nil (2017 - $17 million), on behalf of the Fund, to retire debenture debt. 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 City of Winnipeg contributed $8 thousand (2017 - $10 thousand) towards administration expenses.

8. *Related Party Transactions (continued)*

The City of Winnipeg's Council, on September 27, 2017, approved the foregoing of investment management fees that were charged by the City of Winnipeg to the Fund, in the amount of $100 thousand per year. Furthermore, the City of Winnipeg will absorb the administrative costs associated with the Fund.

As at December 31, 2018, the amount due from the City of Winnipeg is $6 thousand (2017 - $10 thousand).

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

Schedule 1

SCHEDULE OF INTEREST INCOME

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

	2018	2017
Interest on bonds and debentures	**$ 3,540**	$ 4,884
Bank and short-term investments interest	**-**	47
Income accrued - bond residues and coupons	**-**	19
Securities lending income	**-**	2
Net bond premium amortization	**-**	(149)
	$ 3,540	$ 4,803

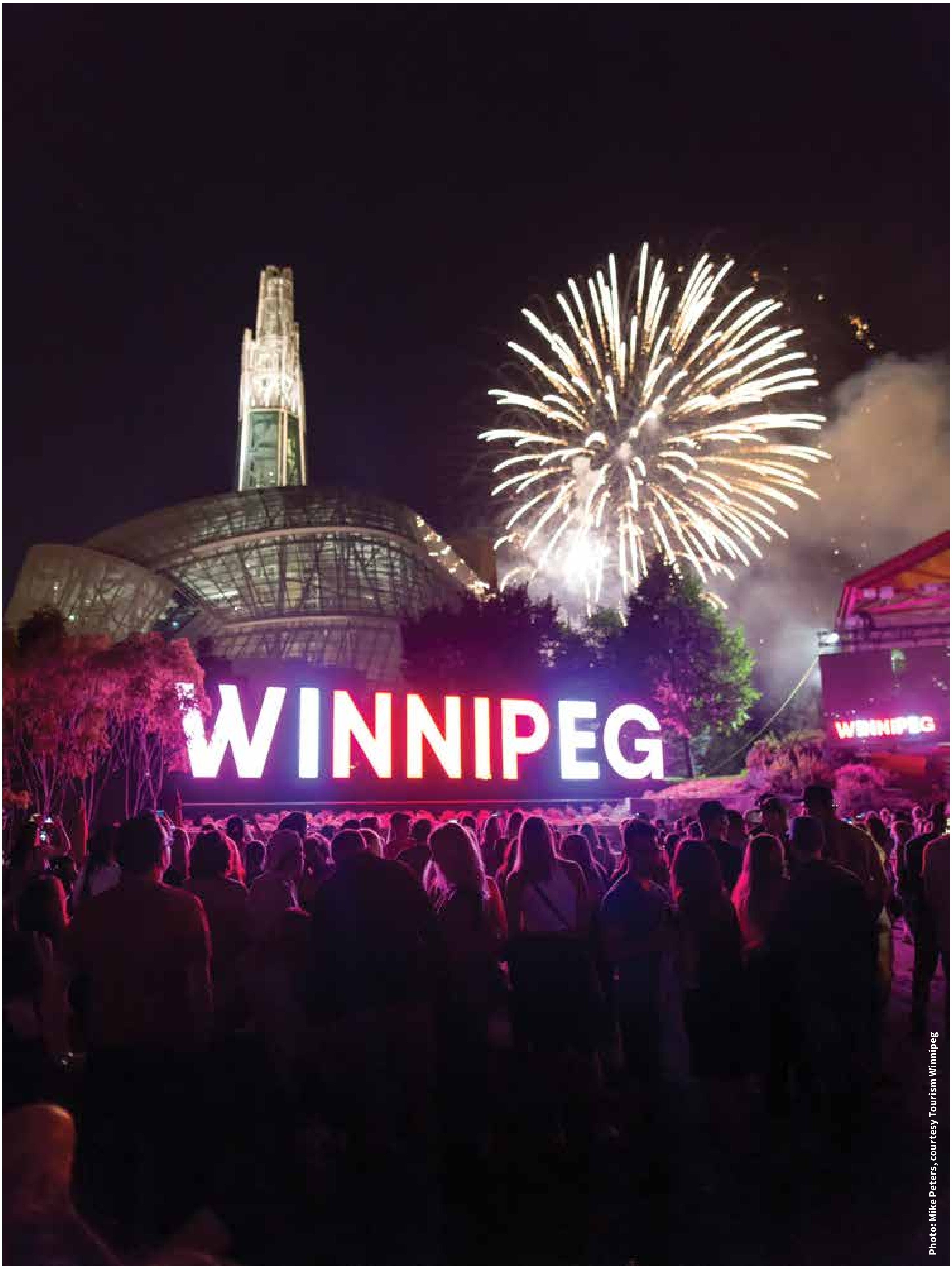

Photo: Mike Peters, courtesy Tourism Winnipeg

THE CITY OF WINNIPEG
SINKING FUND

STATEMENT OF FINANCIAL POSITION

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

	2018	2017
ASSETS		
Investment in bonds and debentures (Schedule 1)	**$ 111,019**	$ 98,428
Call loans - General Revenue Fund (Note 3)	**1,673**	869
Accrued interest receivable	**923**	804
	$ 113,615	$ 100,101
LIABILITIES		
Premium on Long Term Debt (Note 5)	**$ 31,611**	$ 32,696
RESERVE		
Reserve for retirement of debenture debt	**82,004**	67,405
	$ 113,615	$ 100,101

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)

	2018	2017
Balance, beginning of year	**$ 67,405**	$ 53,682
Add:		
Installments - General Revenue Fund	**4,186**	4,187
Interest income (Schedule 2)	**3,110**	2,634
Installments - Waterworks System	**2,836**	2,836
Installments - Reserves	**1,484**	1,484
Installments - Transit System	**1,264**	1,264
Gain on sale of assets	**772**	316
Installments - Municipal Accommodations	**624**	624
Installments - Sewage Disposal System	**453**	453
Installments - Solid Waste Disposal System	**163**	163
	82,297	67,643
Deduct:		
Transfer to General Revenue Fund - investment management fees	**293**	238
Balance, end of year	**$ 82,004**	$ 67,405

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SINKING FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018
(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, 2018 was 3.5% (2017 - 3.2%).

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, 2018 are as follows:

Term To Maturity	**Par Value**	**Book Value**
Greater than five years	$ 103,229	$ 111,019

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, 2018 the Fund's maximum credit risk exposure at fair market value was $116,397 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 between 2012 and 2016 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)

	2018					2017	
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Book Value	%
Investment in bonds and debentures							
Other Municipalities	**$ 55,793**	**$ 60,088**	**53**	**$ 58,984**	**53**	$ 58,752	60
City of Winnipeg	**32,836**	**38,792**	**34**	**37,418**	**34**	25,159	25
Provincial and Provincial guaranteed	**14,600**	**14,922**	**13**	**14,617**	**13**	14,517	15
	$ 103,229	**$ 113,802**	**100**	**$ 111,019**	**100**	$ 98,428	100

Schedule 2

THE CITY OF WINNIPEG
SINKING FUND

SCHEDULE OF INTEREST INCOME

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

	2018	2017
Interest on bonds and debentures	**$ 3,121**	$ 2,624
Call fund interest	**(11)**	10
	$ 3,110	$ 2,634

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

	2018	2017
ASSETS		
Current		
Cash	**$ 1,355,885**	$ 1,353,336
Short term investments	**3,715,890**	5,622,762
Accounts receivables (Note 4)	**344,422**	524,011
Inventory	**64,355**	15,392
Current portion of receivable from developers (Note 5)	**134,094**	97,969
Prepaids and other	**277,085**	355,498
	5,891,731	7,968,968
Non-current		
Property and equipment (Note 6)	**15,496,499**	15,760,239
Investments in properties and infrastructure enhancements (Note 7)	**59,290,428**	57,878,720
Receivable from developers (Note 5)	**913,854**	714,709
Total assets	**$ 81,592,512**	$ 82,322,636
LIABILITIES		
Current		
Trade and other payables (Note 8)	**$ 2,887,424**	$ 2,946,788
Funds held in trust	**174,144**	161,409
Deferred revenue	**141,481**	131,794
Current portion of long-term debt (Note 9)	**447,731**	423,013
	3,650,780	3,663,004
Non-current		
Long-term debt (Note 9)	**9,337,195**	9,784,602
Prepaid land rents	**618,699**	626,786
Deferred contributions	**10,368,995**	11,322,115
	23,975,669	25,396,507
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	**3**	3
Contributed surplus	**39,310,266**	39,310,266
Donated land (Note 12)	**8,000,000**	8,000,000
Retained earnings	**10,306,574**	9,615,860
	57,616,843	56,926,129
	$ 81,592,512	$ 82,322,636

See accompanying notes to the consolidated financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended March 31, 2018

	2018	2017
REVENUE		
Parking	**$ 7,439,828**	$ 6,621,399
The Forks Market	**4,217,904**	3,255,721
Events, sponsorship, grants and recoveries	**1,887,961**	1,361,218
Lease	**1,318,717**	1,307,205
Rental	**513,951**	491,089
Investment income	**215,221**	244,659
	15,593,582	13,281,291
EXPENSES		
Parking	**2,684,258**	2,501,601
The Forks Market	**3,133,988**	2,542,919
The Forks Site and Events	**2,381,786**	2,081,626
Rental	**216,455**	227,865
Investment costs	**60,201**	74,836
Planning and development	**200,242**	211,512
Marketing and communications	**553,217**	470,672
General and administrative	**2,336,194**	2,194,242
Prior year expense	**87,506**	105,351
Security services	**727,768**	493,985
	12,381,615	10,904,609
OPERATING INCOME BEFORE THE FOLLOWING	**3,211,967**	2,376,682
OTHER EXPENSES (INCOME)		
Interest on long-term debt	**566,472**	589,947
(Gain) loss on short-term investments	**45,260**	(336,331)
(Gain) loss on disposal of property and equipment	**(21,890)**	27,179
Depreciation and amortization	**2,790,816**	2,619,841
Amortization of deferred contributions	**(1,159,849)**	(1,159,849)
Donations	**300,444**	265,026
	2,521,253	2,005,813
PROFIT	**$ 690,714**	$ 370,869

See accompanying notes to the consolidated financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2018

	Share Capital	Donated Land	Contributed Surplus	Retained Earnings	2018 Total	2017 Total
Balance, beginning of year	**$ 3**	**$ 8,000,000**	**$ 39,310,266**	**$ 9,615,860**	**$ 56,926,129**	$ 56,555,260
Net income	**-**	**-**	**-**	**690,714**	**690,714**	370,869
Balance, end of year	**$ 3**	**$ 8,000,000**	**$ 39,310,266**	**$ 10,306,574**	**$ 57,616,843**	$ 56,926,129

See accompanying notes to the consolidated financial statements.

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
OPERATING ACTIVITIES		
Profit	**$ 690,714**	$ 370,869
Depreciation and amortization	**2,790,816**	2,619,842
Amortization of prepaid finance costs	**3,789**	3,788
Amortization of deferred contributions	**(1,159,849)**	(1,159,849)
(Gain) loss on disposal of property, plant, and equipment	**(21,890)**	27,179
Unrealized loss from short-term investments	**-**	691,105
(Gain) loss on sale of short-term investments	**45,260**	(1,027,437)
	2,348,840	1,525,497
Changes in working capital accounts		
Accounts receivable	**179,589**	21,375
Restricted cash	**-**	120,808
Inventory	**(48,963)**	(15,392)
Prepaids and other	**78,413**	(199,398)
Trade and other payables	**(59,364)**	(89,071)
Funds held in trust	**12,735**	(238,845)
	2,511,250	1,124,974
FINANCING ACTIVITIES		
Repayment of long term debt	**(426,478)**	(403,759)
Prepaid land rents	**(8,087)**	116,914
Deferred revenue	**9,687**	131,794
Deferred contributions received	**206,729**	-
	(218,149)	(155,051)
INVESTING ACTIVITIES		
Purchase of property and equipment and Infrastructure enhancements	**(4,382,595)**	(4,316,762)
Proceeds from disposition of short term investments (net)	**1,861,612**	3,833,512
Developer receivables advanced	**(350,720)**	-
Proceeds from repayment of tenant receivables	**-**	10,179
Proceeds from repayment of developer receivables	**115,450**	304,913
Funds received for property and equipment	**435,294**	383,200
Proceeds from disposal of property and equipment	**30,407**	141,318
	(2,290,552)	356,360
Increase in cash	**2,549**	1,326,283
CASH, beginning of year	**1,353,336**	27,053
CASH, end of year	**$ 1,355,885**	$ 1,353,336

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 the downtown area through public and private partnerships and revitalization strategies, and to work to ensure financial self-sufficiency.

North Portage Development Corporation 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.

Company background

North Portage Development Corporation (the "Company" 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 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 MTML, was incorporated under the Corporations Act of Manitoba on September 16, 1998 and operates the IMAX Theatre at Portage Place, Winnipeg, Canada.

FNP Parking Inc. ("FNP"), a subsidiary of NPDC, was incorporated under the Corporations Act of Manitoba on November 6, 2006 and operates various parking locations in downtown Winnipeg, Canada including The Forks.

The Corporation is not subject to tax under provision 149(1)(d) of the Income Tax Act.

The head office for NPDC is 123 Main Street, Winnipeg, Canada.

The financial statements for the year ended March 31, 2018 were approved by the Board of the Company on June 14, 2018.

2. *Basis of presentation*

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, under the historical basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out in the notes.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is Company's functional currency. All financial information presented in Canadian dollars.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated 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 reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimated is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Future changes to significant accounting policies

The following standards will be effective for subsequent annual periods. The Company is currently evaluating the impact of these standards on its Financial Statements:

(i) IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. The standard is effective for years beginning on or after January 1, 2018, with earlier adoption permitted. Management does not anticipate a significant impact on the consolidated financial statements as the single approach to classifying financial assets is not expected to result in a reclassification of the Company's assets; changes to financial liabilities do not apply and the provisions on impairment and hedge accounting do not apply.

(ii) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers replaces IAS 11 - Construction Contracts and IAS 18 - Revenue, as well as various IFRIC and SIC interpretations; specifies the steps and timing for entities to recognize revenue from contracts excluding lease contracts; enhances disclosure requirements; and is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. Management is assessing the impact of these changes.

2. Basis of presentation (continued)

Future changes to significant accounting policies (continued)

(iii) IFRS 16 - Leases

IFRS 16 - Leases replaces IAS 17 - Leases and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. Lessor accounting, however remains largely unchanged and the distinction between operating and finance lease is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. Management is assessing the impact of these changes.

(iv) IAS 40 - Investment Property ("IAS 40")

During December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing IAS 40 requirements. The amendment requires that an asset be transferred to, or from investment property when, and only when, there is an change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Management does not anticipate a significant impact on the consolidated financial statements as a result of the clarifications in the amendment.

3. Summary of significant accounting policies

Except as noted above, the following principle accounting policies have been adopted in the preparation of these consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries. Subsidiaries include: The Forks Renewal Corporation, FNP Parking Inc., 3898211 Manitoba Ltd. and Manitou Theatre Management Ltd.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

The Company determines whether it is a parent by assessing whether it controls an investee. The company 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.

Statement of compliance

The financial statement of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies have been applied consistently in all material respects.

3. *Summary of significant accounting policies (continued)*

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the item's fair value was determined. Translation gains and losses are included in profit or loss.

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.

Investment income

Investment income is recognized over the passage of time using the effective interest method.

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 payments received and is recognized as revenue in the period in which the related event occurs.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks, net of any outstanding cheques. Cash subject to restrictions that prevent it use for current purposes is included in restricted cash.

Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

3. *Summary of significant accounting policies (continued)*

Property and equipment (continued)

All assets having limited useful lives are depreciated over their estimated useful lives. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The methods of depreciation and useful life applicable for each class of asset during the current and comparative period are as follows:

	Method	**Rate**
Plant and equipment	straight line	3-40 years
Equipment under finance lease	straight line	5 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Property under construction

Items of property under construction are recorded at cost and are not amortized until they are complete and transferred to the appropriate category of asset.

Impairment of tangible assets

At the end of each reporting period, the Company 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 value 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 income.

Investment in properties and infrastructure enhancements

Investment in properties and infrastructure enhancements are initially recognized at cost, including transaction costs of acquisition, less accumulated amortization and accumulated impairment losses.

Amortization is calculated at the following rates:

	Method	**Rate**
Buildings	straight line	20-40 years
Infrastructure enhancements	straight line	40 years

3. *Summary of significant accounting policies (continued)*

Borrowing costs

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition or construction of a qualifying assets. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale.

Borrowing costs are capitalized into the cost of qualifying assets until they are ready for their intended use or sale. All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and building are classified separately and the minimum lease payments are allocated between the land and building elements in proportion to the relative fair values of the leasehold interests at the inception of the lease.

Assets under finance lease are amortized on a straight-line basis, over the shorter of the useful life and the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned by the Company. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

The Company 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 term of the lease.

<u>Land rents</u>

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.

The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company 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.

3. *Summary of significant accounting policies (continued)*

The Company as lessee (continued)

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.

Financial instruments

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 "account receivables" and "receivable from developer". 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 cash, GIC, short term investments, and active market equities. Investments are held for trading and are initially recognized at fair value 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.

Financial liabilities measure at amortized cost

The Company has classified the following financial liabilities as financial liabilities measure at amortized cost: trade and other payables, funds held in trust, and long-term debt. These liabilities are initially recognized at their fair value. Total interest expense, calculated using the effective interest rate method, is recognized in profit (loss). Principal payments on mortgage loans due more than twelve months from the date of the balance sheet are classified as non-current liabilities.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company'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.

3. *Summary of significant accounting policies (continued)*

Financial asset impairment

The Company assesses impairment of all its financial assets, except those classified at fair value through profit (loss). Management considers whether there is objective evidence that a financial asset is impaired. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in the statement of comprehensive income.

Provisions

A provision is recognized, if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and its is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlements is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses as related costs for which funded expenditures are incurred. Government grants are recognized when there is reasonable assurance that the Company will comply with the terms and conditions associated with the grants and the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss 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.

Inventories

Inventories are valued at the lower of cost and net realized value. Cost is determined by the weighted average method. Cost comprises all costs of purchases, costs of conversion and other costs are incurred in bringing inventories to their present location and condition.

4. *Accounts receivable*

		2018		2017
Trade receivables	**$**	**269,293**	$	275,288
Allowance for doubtful debts		**(19,733)**		(9,715)
Goods and services tax receivable		**2,880**		7,910
Interest receivable		**91,982**		250,528
	$	**344,422**	$	524,011

The credit period on sale of goods and services is 30 days. The Company 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 trade receivables that are past due but not impaired:

		2018		2017
31-60 days	**$**	**103,634**	$	18,335
61-90 days		**13,592**		57,296
91+ days		**53,004**		71,794
	$	**170,230**	$	147,425

In determining the recoverability of a trade receivable, the Company 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.

In respect of other receivables, the Company is not exposed to any significant credit risk to any single counterparty.

5. *Receivable from developers*

Amounts consist of the repayment of the rehabilitation costs from the developers adjacent to the streets located on the North Portage site. The below balances are unsecured.

		2018		2017
Receivable from developers bearing interest at 5%, repayable at $13,429 per months (2017 - $11,702), maturing January 2024.	**$**	**1,047,948**	$	812,678
Current portion of receivable from developers		**(134,094)**		(97,969)
	$	**913,854**	$	714,709

6. Property and equipment

	2018	2017
Land	**$ 9,058,281**	$ 9,058,281
Property under construction	**391,857**	357,145
Plant and equipment	**6,037,914**	6,284,724
Equipment under finance lease	**8,447**	60,089
Net book value	**$ 15,496,499**	$ 15,760,239

For additional information, see the Consolidated Schedule of Property, Plant and Equipment (Schedule 1).

7. Investment in properties and infrastructure enhancements

	2018	2017
Land	**$ 27,671,572**	$ 27,671,572
Building	**18,346,777**	16,770,684
Property under construction	**2,048,988**	1,480,504
Infrastructure enhancements	**11,223,091**	11,955,960
Net book value	**$ 59,290,428**	$ 57,878,720

For additional information, see the Consolidated Schedule of Investment in Properties and Infrastructure Enhancements (Schedule 2).

8. Trade and other payables

	2018	2017
Trade accounts payables	**$ 719,297**	$ 852,641
Accrued liabilities	**2,168,127**	2,094,147
	$ 2,887,424	$ 2,946,788

The average credit period on purchases is 30 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit terms.

9. Long-term debt

	2018	2017
Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of $82,940. The loan matures on September 1, 2032 and is secured by a general security agreement together with a first charge on the following lease agreements: Cityscape Residence Corp., The Kiwanis Club of Winnipeg Seniors Building Inc., Fred Douglas Place Ltd. and Portage Place Centre Inc.	**$ 9,836,676**	$ 10,263,154
Less: current portion	**447,731**	423,013
Less: financing fees	**51,750**	55,539
	$ 9,337,195	$ 9,784,602

9. *Long-term debt (continued)*

Principal repayment on long-term debt in each of the next five years are estimated as follows:

2019	$ 447,731
2020	477,669
2021	505,333
2022	534,600
2023	565,563
Thereafter	7,305,780
	$ 9,836,676

10. *Share capital*

	2018	2017
Common shares 3 (2017-3)	**$ 3**	$ 3

11. *Government contribution*

	2018	2017
Amounts included in deferred contributions	**$ 10,368,995**	$ 11,322,115
Contributions received in the year	**768,566**	282,486
Amounts recognized in income in prior years	**71,158,548**	71,158,548
Annual amortization of deferred contributions	**1,159,849**	1,159,849
Amounts recognized in income in the current year	**(561,837)**	(282,486)
Donated land	**8,000,000**	8,000,000
Contributed surplus	**39,310,266**	39,310,266
	$ 130,204,387	$ 130,950,778

12. *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	49.0	3.9	3.0	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 FRC's ownership are 49.95 acres.

13. *Operating lease arrangements*

The Company as lessee

Leasing arrangements

Operating leases relate to leases of land with terms of between 5 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Company does not have an option to purchase the leased land at the expiry of the lease.

Estimated annual payments are as follows:

2019	$	139,000
2020		142,000
2021		142,200
2022		145,000
Thereafter		910,000

The Company as lessor

Operating leases relate to the investment property owned by the Company 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. Total lease revenue received was $1,318,717 (2017 - $1,307,205).

14. *Commitments*

The Company has an obligation to operate Imax Theatre at Portage Place for a 50 years period, ending in 2035 with annual payments of $27,400.

FRC has leased parking, storage and an office site at The Forks to December 2018. FNP Parking Ltd. is administering the obligation. The lease, containing renewal options, calls for base monthly payments of $4,167 and provides for payment of utilities and property taxes.

15. *Related party transactions*

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2018	2017
Wages and other short-term benefits	**$ 731,079**	$ 693,015

16. *Management Capital*

The Company'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 Company is comprised of the following:

		2018		2017
Total debt and deferred shareholder contributions	**$**	**20,153,921**	$	21,529,730
Shareholders' equity		**57,616,843**		56,926,130
	$	**77,770,764**	$	78,455,860

The Company's objective in managing capital is to safeguard its ability to continue as a going concern, in order to carry out its mission as described in Note 1.

The Company prepares a budget each year, allocating expenses to revenue they expect to earn and funding it expects to receive.

The Company 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 Company to reduce the cost of capital. An investment policy is in place to guide the Company in the management of surplus funds. These guidelines ensure that capital is preserved, rates of return are maximized and funds are available as needed.

17. *Financial instruments*

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instruments fails to discharge its contractual obligations.

The maximum exposure of the Company to credit risk as of March 31, 2018 is $1,684,943 (2017 - $1,336,689).

The Company 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 Company 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.

Foreign currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

17. *Financial instruments (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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through normal operating and financing activities.

The Company is exposed to interest rate risk with respect 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 Company 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 are 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 Company's Level 2 financial instruments consist of accounts receivable, trade and other payables, receivable from developers, long-term debt and funds held in trust. The carrying values of accounts receivable, trade and other payables, receivable from developers and funds held in trust approximate 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 receivables and long term debt are impacted by changes in market yields which can result in differences between the carrying value and the fair value of the instruments. The fair value of the long term receivables and long term debt have been estimated based on the current market rates for mortgages and loans of similar terms and conditions.

The estimated fair value at March 31, 2018 of the receivable from developers is $1,047,948 (2017 - $812,678) and long-term debt is $9,784,926 (2017 - $10,207,615).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

17. *Financial instruments (continued)*

Liquidity risk (continued)

Contractual maturities of long-term are disclosed in Note 9.

	< 1 year	**1-2 years**	**> 3 years**	**Total**
Trade and other payables	2,887,424	-	-	**2,887,424**
Funds held in trust	174,144	-	-	**174,144**
Deferred revenue	141,481	-	-	**141,481**
Prepaid land rents	133,086	16,173	469,440	**618,699**
Deferred contributions	953,120	2,319,698	7,096,177	**10,368,995**
Total	4,289,255	2,335,871	7,565,617	**14,190,743**

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company enters into transactior for short-term investments, for which the market price fluctuates.

18. *Comparative figures*

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

NORTH PORTAGE DEVELOPMENT CORPORATION

Schedule 1

CONSOLIDATED SCHEDULE OF PROPERTY AND EQUIPMENT

	Land	Property under Construction	Plant and Equipment	Equipment Under Finance Lease	Total
Cost					
Balance March 31, 2017	$ 9,058,281	$ 357,145	$ 24,803,446	$ 643,037	$ 34,861,909
Additions	-	907,885	139,700	-	1,047,585
Disposals	-	(10,708)	(399,915)	-	(410,623)
Grants received for assets	-	(55,542)	(3,000)	-	(58,542)
Transfer to plant and equipment	-	(352,075)	352,075	-	-
Transfer to investment in properties and infrastructure enhancements	-	(454,848)	-	-	(454,848)
Balance March 31, 2018	**9,058,281**	**391,857**	**24,892,306**	**643,037**	**34,985,481**
Depreciation and impairment losses					
Balance March 31, 2017	-	-	18,518,722	582,948	19,101,670
Depreciation change for the year	-	-	737,776	51,642	789,418
Disposals	-	-	(402,106)	-	(402,106)
Balance March 31, 2018	-	-	**18,854,392**	**634,590**	**19,488,982**
Net book value					
Balance March 31, 2018	**$ 9,058,281**	**$ 391,857**	**$ 6,037,914**	**$ 8,447**	**$ 15,496,499**

NORTH PORTAGE DEVELOPMENT CORPORATION

Schedule 2

CONSOLIDATED SCHEDULE OF INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	Land	Building	Property under Construction	Infrastructure Enhancements	Total
Cost					
Balance March 31, 2017	$ 28,203,066	$ 25,606,753	$ 1,480,504	$ 57,663,204	$ 112,953,527
Additions	-	203,135	2,764,837	367,038	3,335,010
Funds received for assets	-	-	-	(376,752)	(376,752)
Transfer to building	-	2,196,353	(2,196,353)	-	-
Transfer from plant and equipment	-	226,302	-	228,546	454,848
Balance March 31, 2018	**28,203,066**	**28,232,543**	**2,048,988**	**57,882,036**	**116,366,633**
Accumulated amortization					
Balance March 31, 2017	531,494	8,836,069	-	45,707,244	55,074,807
Amortization	-	1,049,697	-	951,701	2,001,398
Balance March 31, 2018	**531,494**	**9,885,766**	**-**	**46,658,945**	**57,076,205**
Net book value					
Balance March 31, 2018	**$ 27,671,572**	**$ 18,346,777**	**$ 2,048,988**	**$ 11,223,091**	**$ 59,290,428**

Photo: Leif Norman, courtesy Tourism Winnipeg

THE CITY OF WINNIPEG
COUNCIL PENSION BENEFITS PROGRAM
(Established under By-law 7869/2001)

STATEMENT OF FINANCIAL POSITION

As at December 31

		2018		2017
ASSETS				
Investments				
Cash and short-term deposits (Note 3)	**$**	**556,193**	$	106,073
Canadian securities (Note 3)		**5,088,143**		5,082,683
		5,644,336		5,188,756
Accrued interest (Note 3)		**45,236**		39,748
Due from the City of Winnipeg		**18,346**		9,822
Total Assets		**5,707,918**		5,238,326
LIABILITIES				
Accounts payable and accrued liabilities		**55,589**		38,876
Commuted value benefit payable (Note 4)		**556,448**		-
Total Liabilities		**612,037**		38,876
NET ASSETS AVAILABLE FOR BENEFITS		**5,095,881**		5,199,450
OBLIGATION FOR PENSION BENEFITS (Note 5)		**5,679,383**		5,516,311
NET ASSETS AVAILABLE FOR BENEFITS LESS OBLIGATION FOR PENSION BENEFITS	**$**	**(583,502)**	$	(316,861)

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

	2018	2017
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg (Note 6)	**$ 610,888**	$ 400,319
Plan members	**117,256**	115,826
	728,144	516,145
Investment income from		
Canadian securities	**112,707**	100,897
Cash and short-term deposits	**3,061**	644
	115,768	101,541
Current period change in fair value of investments	**-**	114,000
Total increase in assets	**843,912**	731,686
DECREASE IN ASSETS		
Administrative expenses		
Actuarial fees	**65,455**	24,448
Investment management, audit and administrative fees	**18,898**	16,868
	84,353	41,316
Benefit payments		
Commuted value benefit (Note 4)	**556,448**	-
Pension payments	**100,084**	94,984
	656,532	94,984
Current period change in fair value of investments	**206,596**	-
Total decrease in assets	**947,481**	136,300
(Decrease) increase in net assets	**(103,569)**	595,386
Net assets available for benefits at beginning of year	**5,199,450**	4,604,064
Net assets available for benefits at end of year	**$ 5,095,881**	$ 5,199,450

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

	2018	2017
OBLIGATION FOR PENSION BENEFITS AT BEGINNING OF YEAR	**$ 5,516,311**	$ 4,893,609
Benefits accrued	**538,479**	499,900
Interest accrued on benefits	**268,538**	234,419
Experience gains and losses	**12,587**	(16,633)
Benefits paid	**(656,532)**	(94,984)
OBLIGATION FOR PENSION BENEFITS AT END OF YEAR	**$ 5,679,383**	$ 5,516,311

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, 2018

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 continued, or member's age plus years of service would have totaled 80 had employment continued.

For Part B, the amount payable is equal to the amount determined by the pension formula above less the amount payable under Part A.

Benefits are indexed each July 1 at a rate of 80% of Consumer Price 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.

ii) Subsequent to initial recognition

Investments are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in the statement of changes in net assets available for benefits in the period incurred. Other financial instruments are measured at amortized cost.

2. *Significant Accounting Policies (continued)*

c) Investments

i) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

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, 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 4).

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.

3. Risk Management (continued)

a) Market risk

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.

i) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income and obligation for pension benefits. This risk arises from the differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's interest bearing assets is affected by short-term changes in market interest rates.

Pension liabilities are exposed to the long-term expectation of rate of return on investments as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet pension obligations.

ii) Foreign currency risk

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, 2018, 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 $509,000 (2017 - $508,000).

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, 2018, the Plan's maximum credit risk exposure relates to accrued interest and investments in Canadian and Canadian denominated global securities totaling $5,133,379 (2017 - $5,122,431).

The Plan limits credit risk though diversification of investments and by utilizing highly liquid Exchange Traded Funds which represent the securities composition of benchmark securities indices. These indices are documented in an internal investment policy guideline which includes permitted asset classes of investments and a target asset mix.

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, 2018 and 2017 in valuing the Plan's financial assets recorded at fair value:

	Level 1	Level 2	Level 3	**2018 Total**
Cash and short-term deposits	**$ 556,193**	**$ -**	**$ -**	**$ 556,193**
Canadian securities	**5,088,143**	**-**	**-**	**5,088,143**
	$ 5,644,336	**$ -**	**$ -**	**$ 5,644,336**

	Level 1	Level 2	Level 3	2017 Total
Cash and short-term deposits	$ 106,073	$ -	$ -	$ 106,073
Canadian securities	5,082,683	-	-	5,082,683
	$ 5,188,756	$ -	$ -	$ 5,188,756

Canadian securities consist of the following:

	2018	2017
iShares real return bond index fund	**$ 3,076,045**	$ 3,065,894
iShares MSCI World Index ETF	**1,032,321**	1,067,857
iShares Core S-P/TSX Capped Comp Index ETF	**490,897**	501,602
iShares Canadian Long Term Bond Index ETF	**488,880**	447,330
	$ 5,088,143	$ 5,082,683

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 2018 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, 2018 are classified as commuted value benefit payable.

5. *Obligation for Pension Benefits*

An actuarial valuation of the Program was prepared as at December 31, 2017 and extrapolated to December 31, 2018 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 4.60% (2017 - 4.60%) per annum, a rate of return on assets of 4.60% (2017 - 4.60%) per annum, and a general rate of salary increase of 2.50% (2017 - 2.50%) per annum.

The obligation for pension benefits is comprised of the following:

	2018	2017
Part A	**$ 5,464,927**	$ 5,345,357
Part B	**214,456**	170,954
	$ 5,679,383	$ 5,516,311

6. *Contributions*

	2018	2017
Current service	**$ 446,676**	$ 400,319
Special contributions (Note 7)	**164,212**	-
	$ 610,888	$ 400,319

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 at least once every three years. The most recent actuarial funding valuation filed for Part A was prepared by Mercer for the period ended December 31, 2017 and reported a $158 thousand shortfall which, along with interest accruing to date of payment, was fully funded by the City of Winnipeg during 2018. The next required actuarial funding valuation for Part A is as at December 31, 2020 and will be completed in 2021.

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.

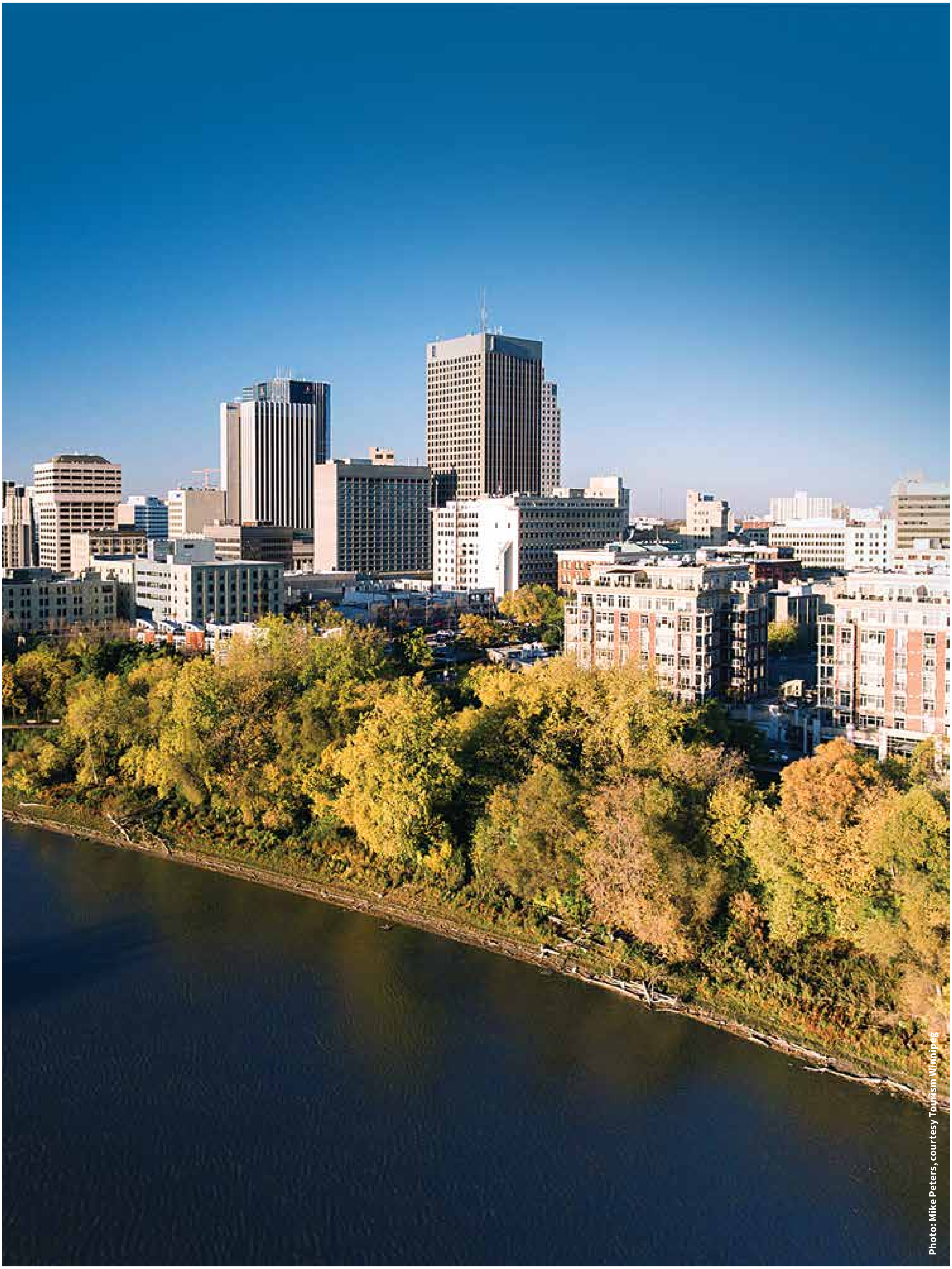

Photo: Mike Peters, courtesy Tourism Winnipeg

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF FINANCIAL POSITION

As at December 31
(in $ thousands)
(unaudited)

	2018	2017
ASSETS		
Investments, at fair value		
Bonds and debentures	**$ 301,544**	$ 308,430
Canadian equities	**277,028**	355,740
Foreign equities	**449,952**	459,152
Cash and short-term deposits	**64,898**	93,906
Private equities	**11,599**	16,424
Real estate	**120,978**	110,606
Infrastructure	**159,347**	120,826
Private debt	**143,854**	74,207
	1,529,200	1,539,291
Participants' contributions receivable	**5**	7
Employers' contributions receivable	**19**	18
Accounts receivable	**957**	734
Total Assets	**1,530,181**	1,540,050
LIABILITIES		
Accounts payable	**2,589**	2,403
Due to The Winnipeg Civic Employees' Pension Plan	**103**	5
Total Liabilities	**2,692**	2,408
NET ASSETS AVAILABLE FOR BENEFITS	**1,527,489**	1,537,642
PENSION OBLIGATIONS	**1,440,411**	1,360,152
SURPLUS	**$ 87,078**	$ 177,490
SURPLUS COMPRISED OF:		
Main Account - General Component	**$ 28,881**	$ 139,931
Main Account - Contributions Stabilization Reserve	**44,277**	23,704
Plan Members' Account	**13,646**	13,628
City Account	**274**	227
	$ 87,078	$ 177,490

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)

	2018	2017
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	**$ 29,365**	$ 28,288
Employees	**13,017**	12,817
Reciprocal transfers from other plans	**275**	706
	42,657	41,811
Investment income (Note 6)	**54,870**	39,197
Current period change in fair value of investments	**(46,555)**	109,656
Total increase in assets	**50,972**	190,664
DECREASE IN ASSETS		
Pension payments	**51,890**	49,144
Lump sum benefits (Note 8)	**1,936**	1,077
Administrative expenses (Note 9)	**980**	952
Investment management and custodial fees	**6,319**	5,445
Total decrease in assets	**61,125**	56,618
(Decrease) increase in net assets	**(10,153)**	134,046
Net assets available for benefits at beginning of year	**1,537,642**	1,403,596
Net assets available for benefits at end of year	**$ 1,527,489**	$ 1,537,642

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)

	2018	2017
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	**$ 1,360,152**	$ 1,263,728
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	**72,221**	70,462
Benefits accrued	**45,002**	43,189
Changes in actuarial assumptions	**20,515**	74,351
Total increase in accrued pension benefits	**137,738**	188,002
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	**53,826**	50,221
Experience gains and losses and other factors	**2,414**	40,203
Administration expenses	**1,239**	1,154
Total decrease in accrued pension benefits	**57,479**	91,578
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	**80,259**	96,424
ACCRUED PENSION BENEFITS, END OF YEAR	**$ 1,440,411**	$ 1,360,152

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN SURPLUS

For the year ended December 31
(in $ thousands)
(unaudited)

	2018	2017
SURPLUS, BEGINNING OF YEAR	**$ 177,490**	$ 139,868
(Decrease) increase in net assets available for benefits for the year	**(10,153)**	134,046
Increase in accrued pension benefits for the year	**(82,673)**	(96,424)
SURPLUS, END OF YEAR	**$ 84,664**	$ 177,490

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, 2018
(in thousands of dollars)
(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 52.8% (2017 - 46.7%) 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.

Bonds and debentures are valued either using published market prices or by applying valuation techniques that utilize observable market inputs.

For private equity, private debt, 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.

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) Financial instruments other than investments

Financial instruments other than investments include accrued contributions receivable, accrued pension benefits payable and lump sum benefits payable. Financial assets other than investments and financial liabilities are recognized in the Plan's statement of financial position when the Plan becomes a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at fair value.

The Plan's contributions receivable are measured at amortized cost, where amortized cost equals the amount at which the receivable is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The settlement periods for the majority of items are normally in the seven to fourteen days range

The Plan's financial liabilities are measured subsequently at amortized cost.

d) 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.

e) 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. *Change in Accounting Policy*

In the current year, the Plan has applied the requirements of IFRS 9 Financial Instruments and the related consequential amendments to other IFRS Standards that are effective for annual periods beginning on or after January 1, 2018, to its financial instruments other than its investment portfolio that continue to be recognized at the date of initial application and has not applied the requirements of IFRS 9 to instruments that have already been derecognized as at January 1, 2018.

The Plan has applied IRFS 9 retrospectively in accordance with the transitional provisions set out in IFRS 9 and has elected not to restate the comparative figures. The Plan has adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

All recognized financial instruments that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the Plans' business model for managing them and the contractual cash flow characteristics of the financial instruments.

Management of the Plans reviewed and assessed the Plan's existing financial assets as at January 1, 2018 based on the facts and circumstances that existed as at that date and concluded that the Plan's financial assets classified as loans and receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows, and these contractual cash flows are solely payments of principal due to their short term nature.

3. *Change in Accounting Policy (continued)*

In relation to the impairment of financial assets, IFRS 9 requires the Plan to recognize a loss allowance for expected credit losses ("ELC") on its contributions receivable at an amount equal to the lifetime ECL. Due to their short term nature the application of the IFRS 9 impairment requirements has had no impact on the carrying value of contributions receivable as at January 1, 2018.

The application of IFRS 9 has had no impact on the classification and measurement of the Plan's financial liabilities.

4. *Obligations for Pension Benefits*

An actuarial valuation of the Plan was performed as of December 31, 2017 by Eckler Ltd. The results of the December 31, 2017 actuarial valuation were extrapolated to December 31, 2018, to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2018. For the comparative 2017 figures, the actuarial present value of accrued benefits at December 31, 2017 is based on the December 31, 2017 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 in the valuation included a valuation interest rate of 5.25% (2017 – 5.25%) per year, inflation of 2.0% (2017 – 2.0%) per year and general increases in pay of 3.25% (2017 - 3.25%) per year. The demographic assumptions for including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experiences.

These assumptions were approved by the Winnipeg Police Pension Board for the purpose of preparing the financial statements. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2018 disclosed a $18,304 funding surplus which was allocated in accordance with the Plan, by transferring $31 to the City account, by transferring $9,136 from the Main Account - General component to the Main Account - Contribution Stabilization Reserve and by increasing future cost-of-living adjustment from 52.8% to 55.4% of inflation (with a corresponding increase in obligations for pension benefits of $9,136), effective January 1, 2019.

The actuarial valuation as at December 31, 2017 disclosed a $41,077 funding surplus which was allocated in accordance with the Plan, by transferring $47 to the City account, by transferring $20,515 from the Main Account - General component to the Main Account - Contribution Stabilization Reserve and by increasing future cost-of-living adjustment from 46.7% to 52.8% of inflation (with a corresponding increase in obligations for pension benefits of $20,515), effective January 1, 2019.

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.

4. *Obligations for Pension Benefits (continued)*

The effect of using a smoothed value of assets for the Main Account - General Component in determining the estimated actuarial surplus or deficiency, before allocation of surplus or deficit resolution, is as follows:

	2018	2017
Surplus for financial statement reporting purposes		
Main Account - General Component	**$ 28,881**	$ 139,931
Fair value changes not reflected in actuarial value of assets	**(10,577)**	(98,854)
Surplus for actuarial valuation purposes		
Main Account - General Component	**18,304**	41,077
Add: special purpose reserves and accounts		
Main Account - Contribution Stabilization Reserve	**44,277**	23,704
Plan Members' Account	**13,646**	13,628
City Account	**274**	227
Surplus for actuarial valuation purposes - including special purpose reserves and accounts, as estimated	**$ 76,501**	$ 78,636

5. *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, 2018 the Plan's credit risk exposure related to bonds and debentures and short-term deposits totaled $366,442 (2017 - $402,336).

The Plan's concentration of credit risk as at December 31, 2018, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	**2018 Fair Value**	2017 Fair Value
Government of Canada and Government of Canada guaranteed	**$ 68,163**	$ 67,524
Provincial and Provincial guaranteed	**123,727**	115,301
Canadian cities and municipalities	**3,220**	3,092
Corporations and other institutions	**106,434**	122,513
	$ 301,544	$ 308,430

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $47,363 at December 31, 2018 (2017 - $74,390).

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.

5. *Management of Financial Risk (continued)*

a) Credit risk (continued)

As at December 31, bonds and debentures analyzed by credit rating are as follows:

	2018		2017	
Credit Rating	**Percent of Total Bonds**	**Percent of Net Assets**	Percent of Total Bonds	Percent of Net Assets
AAA	**25.6**	**5.0**	27.7	5.6
AA	**35.7**	**7.0**	34.7	7.0
A	**25.7**	**5.1**	25.1	5.0
BBB	**13.0**	**2.6**	12.5	2.5
BB	**100.0**	**19.7**	100.0	20.1

At December 31, 2018, the Plan's credit risk exposure related to private debt totaled $143,854 (2017 - $74,207). The Plan's external managers for the private debt portfolios limit credit risk through diversification, performing internal credit analysis and enforcing loan covenants.

The Plan participates in a securities lending program, managed by the Plan’s custodian, wherein securities are loaned to counterparties in exchange for lending fees. In this regard, the Plan’s exposure to credit risk relates to the potential for a counterparty to not return a security and the related collateral held is insufficient to replace the security in the open market. The Manager has responsibility to monitor the credit worthiness of counterparties and to regularly monitor and maintain collateral greater than the value of the loans.

b) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund the pensioner payroll costs and to fund investment commitments. The Plan primarily invests in securities that are traded in active markets and can be readily disposed. The Plan may invest in private equity, which is not traded in an organized market and may be illiquid, but only up to a maximum of 2.5% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures. The Plan may also invest in private debt, real estate and infrastructure, which are not traded in an organized markets and may be illiquid, but only up to a maximum of 12.5% of the Plan's assets for each asset class, 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 24.0% (2017 - 26.1%) of its assets invested in bonds and debentures and short-term investments as at December 31, 2018. The returns on bonds and debentures are particularly sensitive to changes in nominal interest rates.

5. *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, 2018 are as follows:

Term to Maturity	2018 Fair Value	2017 Fair Value
Less than one year	**$ 4,873**	$ 7,325
One to five years	**91,152**	94,803
Greater than five years	**205,519**	206,302
	$ 301,544	$ 308,430

As at December 31, 2018, had prevailing interest rates raised or lowered by 0.5% (2017 - 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 $14,680 (2017 - $15,259), approximately 1.0% of total net assets (2017 - 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.

The Plan also has exposure to interest rate risk from its private debt investments. The Plan's external investments managers mitigate interest rate risk by making loans that are primarily floating rate instruments.

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, private equity, private debt and infrastructure investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. The following table indicates the Plan's net foreign currency exposure after giving effect to the net related economic hedge as at December 31, 2018. 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.

	2018				2017	
	Gross Exposure	**Net Foreign Currency Hedge**	**Net Exposure**	**Impact on Net Assets**	Net Exposure	Impact on Net Assets
United States	**$ 454,346**	**$ 14,935**	**$ 439,411**	**$ 43,941**	$ 376,300	$ 37,630
Euro countries	**86,551**	**7,899**	**78,652**	**7,865**	76,750	7,675
United Kingdom	**58,727**	**16,515**	**42,212**	**4,221**	45,775	4,578
Japan	**25,665**	**3**	**25,662**	**2,566**	28,672	2,867
Hong Kong	**19,140**	**-**	**19,140**	**1,914**	18,857	1,886
Switzerland	**11,637**	**-**	**11,637**	**1,164**	14,964	1,496
Sweden	**9,835**	**-**	**9,835**	**984**	12,179	1,218
Australia	**14,299**	**5,324**	**8,975**	**897**	8,613	861
Other	**18,786**	**-**	**18,786**	**1,879**	16,406	1,641
	$ 698,986	**$ 44,676**	**$ 654,310**	**$ 65,431**	$ 598,516	$ 59,852

5. *Management of Financial Risk (continued)*

e) Other price risk

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The Plan's policy is to invest in a diversified portfolio of investments. As well, the Plan's Managers moderate this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For this Plan, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2018, 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 $109,047 (2017 - $122,224), approximately 7.1% of total net assets (2017 - 8.0%). In practice, the actual results may differ and the difference could be material.

The Plan also has exposure to valuation risk through its holdings of private equity, private debt, and real estate investments, for which quoted market prices are not available. As at December 31, 2018, the estimated fair value of private equity investments is $11,599 (2017 - $16,424), approximately 0.8% of total net assets (2017 - 1.1%), and the related change in fair value of investments recognized for the year ended December 31, 2018 is $870 (2017 - $548). As at December 31, 2018, the estimated fair value of private debt investments is $143,854 (2017 - $74,207), approximately 9.4% of total net assets (2017 - 4.8%), and the related change in fair value of investments recognized for the year ended December 31, 2018 is $12,089 (2017 - ($3,144)). As at December 31, 2018, the estimated fair value of real estate investments is $120,978 (2017 - $110,606), approximately 7.9% of total net assets (2017 - 7.2%), and the related change in fair value of investments recognized for the year ended December 31, 2018 is $7,482 (2017 - $6,605).

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 to the extent that cash distributions are received by OAC in respect of the operations of any investment forming part of the Borealis Assets. In addition, further cash distributions may be made under the arrangement, to the extent that cash distributions are received by OAC and distributed to the partnership in respect of the full or partial disposition of any investment forming part of the Borealis Assets.

As at December 31, 2018, the estimated fair value of the infrastructure investments is $159,347 (2017 - $120,826), approximately 10.4% of total net assets (2017 - 7.9%), and the related change in fair value of investments recognized for the year ended December 31, 2018 is $3,620 (2017 - $6,008).

5. *Management of Financial Risk (continued)*

f) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and, Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following tables present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2018 and December 31, 2017, classified using the fair value hierarchy described above:

	Level 1	**Level 2**	**Level 3**	**2018 Total Investment Assets at Fair Value**
Bonds and debentures	**$ -**	**$ 301,544**	**$ -**	**$ 301,544**
Canadian equities	**277,028**	**-**	**-**	**277,028**
Foreign equities	**449,952**	**-**	**-**	**449,952**
Cash and short-term deposits	**64,369**	**529**	**-**	**64,898**
Private equities	**-**	**-**	**11,599**	**11,599**
Real estate	**-**	**-**	**120,978**	**120,978**
Infrastructure	**-**	**-**	**159,347**	**159,347**
Private debt	**-**	**-**	**143,854**	**143,854**
	$ 791,349	**$ 302,073**	**$ 435,778**	**$ 1,529,200**

	Level 1	Level 2	Level 3	2017 Total Investment Assets at Fair Value
Bonds and debentures	$ -	$ 308,430	$ -	$ 308,430
Canadian equities	355,740	-	-	355,740
Foreign equities	459,152	-	-	459,152
Cash and short-term deposits	91,917	1,989	-	93,906
Private equities	-	-	16,424	16,424
Real estate	-	-	110,606	110,606
Infrastructure	-	-	120,826	120,826
Private debt	-	-	74,207	74,207
	$ 906,809	$ 310,419	$ 322,063	$ 1,539,291

During the year, there have been no significant transfer of amounts between Level 1 and Level 2.

5. *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	**2018**	2017
Fair value, beginning of year	**$ 16,424**	$ 24,165
Gains recognized in increase in net assets	**870**	548
Purchases	**21**	94
Sales/distribution	**(2,861)**	(3,499)
Purchases of short-term investments within subsidiary	**2,145**	3,116
Dividend from subsidiary, accounted for on equity basis	**-**	(8,000)
Return of Capital from subsidiary, accounted for on equity basis	**(5,000)**	-
	$ 11,599	$ 16,424

Real Estate	**2018**	2017
Fair value, beginning of year	**$ 110,606**	$ 105,674
Gains recognized in increase in net assets	**7,482**	6,605
Purchases	**4,590**	-
Sales	**(1,700)**	(1,673)
	$ 120,978	$ 110,606

Infrastructure	**2018**	2017
Fair value, beginning of year	**$ 120,826**	$ 107,251
Gains recognized in increase in net assets	**3,620**	6,008
Purchases	**37,483**	7,594
Sales	**(2,582)**	(27)
	$ 159,347	$ 120,826

Private debt	**2018**	2017
Fair value, beginning of year	**$ 74,207**	$ 68,525
Gains (Losses) recognized in increase in net assets	**12,089**	(3,144)
Purchases	**80,809**	30,222
Sales	**(23,251)**	(21,396)
	$ 143,854	$ 74,207

5. *Management of Financial Risk (continued)*

f) Fair value hierarchy (continued)

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, 2018, the Fund held the following investments that met this classification:

		2018
Bonds and debentures		
TD Emerald Long Bond Broad Market Pooled Fund	$	95,733
Fiera Active Fixed Income Fund		80,087
TD Lancaster Fixed Income Fund II		79,775
TD Emerald Canadian Bond Pooled Fund Trust		45,949
Canadian equities		
TD Emerald Canadian Equity Index Fund		34,103
Foreign equities		
State Street S&P 500 Index Common Trust Fund		112,792
Hillsdale Global Performance Equity Fund		35,173
Cash and short-term deposits		
City of Winnipeg short-term deposit		47,363
Real estate		
Greystone Real Estate Fund Inc.		66,606
Bentall Kennedy Prime Canadian Property Fund Ltd.		54,372
Infrastructure		
OIM B4 2013 L.P.		59,154
IFM Global Infrastructure (Canada), L.P.		34,965
Axium Infrastructure NA Limited Partnership		34,159
JPMorgan Infrastructure Investments Fund		31,069
Private debt		
IFM USIDF (Offshore) B, L.P.		28,089
Northleaf Star Investor Corporation		21,515
Golub Capital Partners International 10, L.P.		15,533

6. *Investment Income*

	2018	2017
Bonds and debentures	**$ 10,131**	$ 9,334
Canadian equities	**10,239**	9,025
Foreign equities	**9,476**	7,312
Cash and short-term deposits and other	**1,077**	563
Private equities	**45**	65
Real estate	**1,992**	2,022
Infrastructure	**15,978**	6,099
Private debt	**5,932**	4,777
	$ 54,870	$ 39,197
Allocated to:		
Main Account - General Component	**$ 52,788**	$ 38,242
Main Account - Contribution Stabilization Reserve	**1,584**	603
Plan Members' Account	**488**	346
City Account	**10**	6
	$ 54,870	$ 39,197

7. *Investment Transaction Costs*

During 2018, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $734 (2017 - $254). Investment transaction costs are included in the current period change in fair value of investments.

8. **Lump Sum Benefits**

	2018	2017
Payments on relationship breakdown	**$ 1,108**	$ 539
Termination benefits	**811**	410
Other	**17**	128
	$ 1,936	$ 1,077

9. **Administrative Expenses**

	2018	2017
The Winnipeg Civic Employees' Benefits Program	**$ 802**	$ 775
Actuarial fees	**107**	121
Audit fee	**25**	26
Legal fees	**34**	18
Consulting fees	**1**	1
General and administrative expenses	**11**	11
	$ 980	$ 952

10. *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, 2018, $19,456 had been funded.

11. *Comparative Figures*

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

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 1

SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

For the year ended December 31
(in $ thousands)
(unaudited)

	2018				
	Main Account-General Component	Main Account-Contribution Stabilization Reserve	Plan Members' Account	City Account	**Total**
INCREASE IN ASSETS					
Contributions					
The City of Winnipeg	$ 29,365	$ -	$ -	$ -	**$ 29,365**
Employees	13,017	-	-	-	**13,017**
Reciprocal transfers from other plans	275	-	-	-	**275**
	42,657	-	-	-	**42,657**
Investment income (Note 6)	52,788	1,584	488	10	**54,870**
Current period change in fair value of investments	(44,788)	(1,344)	(414)	(9)	**(46,555)**
Transfer from Contribution Stabilization Reserve - Resolution of funding surplus (Note 4)	(20,515)	20,515	-	-	**-**
Transfer from City Account - Resolution of funding surplus (Note 4)	(47)	-	-	47	**-**
Total increase in assets	30,095	20,755	74	48	**50,972**
DECREASE IN ASSETS					
Pension payments	51,890	-	-	-	**51,890**
Lump sum benefits (Note 8)	1,936	-	-	-	**1,936**
Administrative expenses (Note 9)	980	-	-	-	**980**
Investment management and custodial fees	6,080	182	56	1	**6,319**
Total decrease in assets	60,886	182	56	1	**61,125**
(Decrease) increase in net assets	(30,791)	20,573	18	47	**(10,153)**
Net assets available for benefits at beginning of year	1,500,083	23,704	13,628	227	**1,537,642**
Net assets available for benefits at end of year	$ 1,469,292	$ 44,277	$ 13,646	$ 274	**$ 1,527,489**

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)

	2017				
	Main Account- General Component	Main Account- Contribution Stabilization Reserve	Plan Members' Account	City Account	Total
INCREASE IN ASSETS					
Contributions					
The City of Winnipeg	$ 28,288	$ -	$ -	$ -	$ 28,288
Employees	12,817	-	-	-	12,817
Reciprocal transfers from other plans	706	-	-	-	706
	41,811	-	-	-	41,811
Investment income (Note 6)	38,242	603	346	6	39,197
Current period change in fair value of investments	106,986	1,685	969	16	109,656
Transfer from Contribution Stabilization Reserve -					
Resolution of funding surplus (Note 4)	(21,500)	21,500	-	-	-
Transfer from City Account -					
Resolution of funding deficiency (Note 4)	(206)	-	-	206	-
Total increase in assets	165,333	23,788	1,315	228	190,664
DECREASE IN ASSETS					
Pension payments	49,144	-	-	-	49,144
Lump sum benefits (Note 8)	1,077	-	-	-	1,077
Administrative expenses (Note 9)	952	-	-	-	952
Investment management and custodial fees	5,312	84	48	1	5,445
Total decrease in assets	56,485	84	48	1	56,618
Increase in net assets	108,848	23,704	1,267	227	134,046
Net assets available for benefits at beginning of year	1,391,235	-	12,361	-	1,403,596
Net assets available for benefits at end of year	$ 1,500,083	$ 23,704	$ 13,628	$ 227	$ 1,537,642

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 3

SCHEDULE OF CHANGES IN SURPLUS BY ACCOUNT

For the year ended December 31
(in $ thousands)
(unaudited)

	2018				
	Main Account-General Component	Main Account-Contribution Stabilization Reserve	Plan Members' Account	City Account	**Total**
SURPLUS, BEGINNING OF YEAR	$ 139,931	$ 23,704	$ 13,628	$ 227	**$ 177,490**
(Decrease) increase in net assets available for benefits for the year	(30,791)	20,573	18	47	**(10,153)**
Net increase in accrued pension benefits for the year	(80,259)	-	-	-	**(80,259)**
SURPLUS, END OF YEAR	$ 28,881	$ 44,277	$ 13,646	$ 274	**$ 87,078**

For the year ended December 31
(in $ thousands)

	2017				
	Main Account-General Component	Main Account-Contribution Stabilization Reserve	Plan Members' Account	City Account	Total
SURPLUS, BEGINNING OF YEAR	$ 127,507	$ -	$ 12,361	$ -	$ 139,868
Increase in net assets available for benefits for the year	108,848	23,704	1,267	227	134,046
Net increase in accrued pension benefits for the year	(96,424)	-	-	-	(96,424)
SURPLUS, END OF YEAR	$ 139,931	$ 23,704	$ 13,628	$ 227	$ 177,490

See accompanying notes to the financial statements

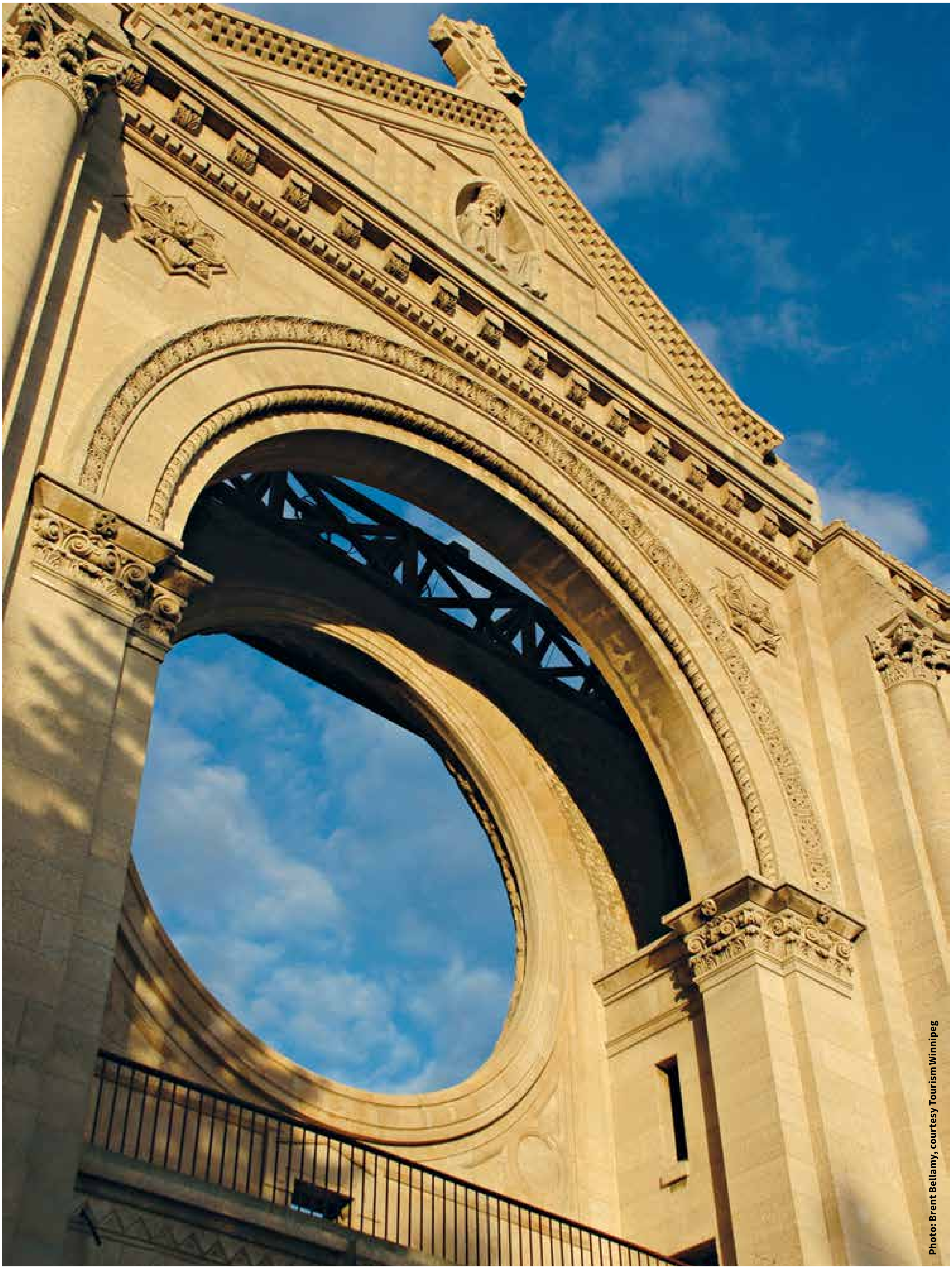

Photo: Brent Bellamy, courtesy Tourism Winnipeg

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF FINANCIAL POSITION

As at December 31
(in $ thousands)
(unaudited)

	2018	2017
ASSETS		
Investments, at fair value		
Bonds and debentures	**$ 59,035**	$ 57,990
Foreign equities	**54,605**	57,282
Canadian equities	**45,138**	50,921
Short-term deposits	**2,044**	1,880
	160,822	168,073
Accounts receivable - dividends	**470**	-
Accounts receivable	**68**	67
Due from The Winnipeg Civic Employees' Pension Plan	**19**	22
Employers' contributions receivable	**-**	1
Total Assets	**161,379**	168,163
LIABILITIES		
Accounts payable	**569**	572
Total Liabilities	**569**	572
NET ASSETS *(Note 5)*	**160,810**	167,591
BENEFIT OBLIGATIONS		
Civic Employees' Group Life Insurance Plan (Note 6)	**78,501**	75,826
Police Employees' Group Life Insurance Plan (Note 7)	**20,653**	19,822
	99,154	95,648
SURPLUS	**$ 61,656**	$ 71,943
SURPLUS COMPRISED OF:		
Civic Employees' Group Life Insurance Plan (Note 6)	**$ 50,349**	$ 59,000
Police Employees' Group Life Insurance Plan (Note 7)	**11,307**	12,943
	$ 61,656	$ 71,943

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31
(in $ thousands)
(unaudited)

	2018	2017
INCREASE IN ASSETS		
Contributions		
Employees - basic	**$ 787**	$ 1,366
Employees - optional	**307**	378
	1,094	1,744
City of Winnipeg and participating employers	**794**	1,361
Pensioners	**148**	254
	2,036	3,359
Current period change in fair value of investments	**-**	7,369
Investment income (Note 9)	**4,445**	2,851
Total increase in assets	**6,481**	13,579
DECREASE IN ASSETS		
Current period change in fair value of investments	**7,287**	-
Benefit payments	**4,681**	4,832
Claims administration and taxes	**238**	247
Administration	**220**	228
Actuarial fees	**26**	50
Investment management fees	**5**	5
Total decrease in assets	**12,457**	5,362
Net (decrease) increase in net assets for the year	**(5,976)**	8,217
NET ASSETS, BEGINNING OF YEAR	**134,826**	126,609
NET ASSETS, END OF YEAR	**$ 128,850**	$ 134,826

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

For the year ended December 31
(in $ thousands)
(unaudited)

	2018	2017
INCREASE IN BENEFIT OBLIGATIONS		
Interest accrued on benefits	**$ 3,396**	$ 3,280
Benefits accrued	**2,455**	2,383
Total increase in benefit obligations	**5,851**	5,663
DECREASE IN BENEFIT OBLIGATIONS		
Benefits paid	**3,176**	3,100
Total decrease in benefit obligations	**3,176**	3,100
NET INCREASE IN BENEFIT OBLIGATIONS FOR THE YEAR	**2,675**	2,563
BENEFIT OBLIGATIONS, BEGINNING OF YEAR	**75,826**	73,263
BENEFIT OBLIGATIONS, END OF YEAR	**$ 78,501**	$ 75,826

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF CHANGES IN SURPLUS

For the year ended December 31
(in $ thousands)
(unaudited)

	2018	2017
Net (decrease) increase in net assets for the year	**$ (5,976)**	$ 8,217
Net increase in benefit obligations for the year	**(2,675)**	(2,563)
NET (DECREASE) INCREASE IN SURPLUS FOR THE YEAR	**(8,651)**	5,654
SURPLUS, BEGINNING OF YEAR	**59,000**	53,346
SURPLUS, END OF YEAR	**$ 50,349**	$ 59,000

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31
(in $ thousands)
(unaudited)

	2018	2017
INCREASE IN ASSETS		
Contributions		
Employees - basic	**$ 260**	$ 489
Employees - optional	**81**	93
	341	582
City of Winnipeg	**258**	488
Pensioners	**52**	97
	651	1,167
Current period change in fair value of investments	**-**	1,739
Investment income (Note 9)	**1,090**	673
Total increase in assets	**1,741**	3,579
DECREASE IN ASSETS		
Current period change in fair value of investments	**1,771**	-
Benefit payments	**653**	553
Administration	**53**	54
Claims administration and taxes	**39**	45
Actuarial fees	**29**	40
Investment management fees	**1**	1
Total decrease in assets	**2,546**	693
Net (decrease) increase in net assets for the year	**(805)**	2,886
NET ASSETS, BEGINNING OF YEAR	**32,765**	29,879
NET ASSETS, END OF YEAR	**$ 31,960**	$ 32,765

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

For the year ended December 31
(in $ thousands)
(unaudited)

	2018	2017
INCREASE IN BENEFIT OBLIGATIONS		
Benefits accrued	**$ 891**	$ 623
Interest accrued on benefits	**642**	853
Total increase in benefit obligations	**1,533**	1,476
DECREASE IN BENEFIT OBLIGATIONS		
Benefits paid	**702**	595
Total decrease in benefit obligations	**702**	595
NET INCREASE IN BENEFIT OBLIGATIONS FOR THE YEAR	**831**	881
BENEFIT OBLIGATIONS, BEGINNING OF YEAR	**19,822**	18,941
BENEFIT OBLIGATIONS, END OF YEAR	**$ 20,653**	$ 19,822

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF CHANGES IN SURPLUS

For the year ended December 31
(in $ thousands)
(unaudited)

	2018	2017
Net (decrease) increase in net assets for the year	**$ (805)**	$ 2,886
Net increase in benefit obligations for the year	**(831)**	(881)
NET (DECREASE) INCREASE IN SURPLUS FOR THE YEAR	**(1,636)**	2,005
SURPLUS, BEGINNING OF YEAR	**12,943**	10,938
SURPLUS, END OF YEAR	**$ 11,307**	$ 12,943

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

(As of August 1, 2015, the Plans are the responsibility of The Civic and Police Employees' Group Life Insurance Plans Corporation, a wholly owned City of Winnipeg municipal corporation)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

December 31, 2018
(all tabular amounts are in thousands of dollars, unless otherwise noted)
(unaudited)

1. *Description of Plans*

The City of Winnipeg sponsors two group life insurance plans: i) 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 ii) the Police Employees' Group Life Insurance Plan for police officers of the City of Winnipeg (separately, the "Plan; together, the "Plans").

The Plans are constituted pursuant to City of Winnipeg By-Law 80/2015, which took effect on August 1, 2015. The predecessor plans – the Civic Employees' Group Life Insurance Plan and Police Employees' Group Life Insurance Plan, which operated pursuant to By-Laws 5644/91 and 5643/91, respectively, were continued under By-Law 80/2015, but with amendment and restatement related to their governance and financial structure.

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 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.

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.

2. *Summary of Significant Accounting Policies*

a) Basis of presentation

These combined financial statements are prepared on a going concern basis and in accordance with Canadian accounting standards for pension plans, which also apply to these benefit plans. In selecting accounting policies not otherwise addressed by Canadian accounting standards for pension plans, Canadian accounting standards for private enterprises (“ASPE”) have been applied. The combined financial statements present the aggregate financial position of the Plans as separate financial reporting entities, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plans for the fiscal period.

The combined financial statements include the accounts of The Civic and Police Employees’ Group Insurance Plans Corporation (the “Corporation”), which as part of its mandate maintains, invests, manages and administers the New Civic Insurance Fund and the New Police Insurance Fund. The combined financial statements also include the accounts of the Old Civic Insurance Fund and the Old Police Insurance Fund, which are administered and held in trust by the Corporation in its capacity as trustee (the “Trustee”) within the Plans’ financial structure.

The combined financial statements also include contributions and related insurance premiums which are directly applied at source by the Corporation, acting in a trust capacity. Inter-fund transactions and balances are eliminated for Plan reporting purposes.

Under the insurance contract, the Plans bear the full claims experience, together with related claims administration expenses. Insurance premiums in amounts equal to insurance claims and related claims administration expenses are reclassified for Plan reporting purposes as benefits and claims administration expenses, respectively. Any excess premiums arising in the year are ultimately refunded and are recognized as an amount due from the insurance company. Similarly, any premium shortfalls must ultimately be settled and are recognized as amounts due to the insurance company.

The benefit obligations presented in the combined financial statements of the Plan relate to the obligations of the City of Winnipeg under By-law 80/2015.

These combined financial statements include the operating results for the year ended December 31, 2018, with comparatives for the period ended December 31, 2017.

A supplementary schedule is attached to these financial statements, which provides financial information about the New Insurance Funds and Old Insurance Funds which comprise the Plans.

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

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) Financial instruments other than investments

Financial instruments other than investments included accrued contributions receivable, premiums payable and accounts payable. Financial assets other than investments and financial liabilities are recognized in the Plans's Combined Statement of Financial Position when the Plans become a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at fair value.

The Plans' contributions receivable are measured at amortized cost, where the amortized cost equals the amount at which the receivable is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The Plans' financial liabilities are measured subsequently at amortized cost.

d) 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.

e) 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. Change in Accounting Policy

In the current year, the Plans have applied the requirements of IFRS 9 Financial Instruments and the related consequential amendments to other IFRS Standards that are effective for annual periods beginning on or after January 1, 2018, to its financial instruments other than its investment portfolio that continue to be recognized at the date of initial application and has not applied the requirements of IFRS 9 to instruments that have already been derecognized as at January 1, 2018.

The Plans have applied IFRS 9 retrospectively in accordance with the transitional provisions set out in IFRS 9 and have elected not to restate the comparative figures. The Plans have adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

All recognized financial instruments that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the Plans' business model for managing them and the contractual cash flow characteristics of the financial instruments.

Management of the Plans reviewed and assessed the Plans' existing financial assets as at January 1, 2018 based on the facts and circumstances that existed as at that date and concluded that the Plans' financial assets classified as loans and receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows, and these contractual cash flows are solely payments of principal due to their short term nature.

In relation to the impairment of financial assets, IFRS 9 requires the Plans to recognized a loss allowance for expected credit losses ("ECL") on its contributions receivable at an amount equal to the lifetime ECL. Due to their short term nature the application of the IFRS 9 impairment requirements has had no impact on the carrying value of contributions receivable as at January 1, 2018

The application of IFRS 9 has had no impact on the classification and measured of the Plans' financial liabilities.

4. Financial Structure

The Plans’ financial structure is in accordance with the requirements of City of Winnipeg By-law 80/2015.

As of August 1, 2015, the Plans are the responsibility of the Corporation, incorporated pursuant to The Corporations Act (Manitoba) as a corporation with share capital. All of the issued and outstanding shares in the capital of the Corporation are owned by the City of Winnipeg.

The Corporation was established to maintain, manage and administer the Plans (including their related funds) sponsored by the City of Winnipeg, in both its own capacity and in its capacity as Trustee. The Corporation’s mandate is in accordance with the requirements of City of Winnipeg By-Law 80/2015, which took effect on August 1, 2015.

4. Financial Structure (continued)

On August 1, 2015, pursuant to restructure, the net assets of the predecessor Plans were conveyed to the Trustee on behalf of the Old Civic Insurance Fund and Old Police Insurance Fund, respectively. The conveyed assets were subsequently sold to the Corporation at fair market value. In exchange for the investments sold, the Trustee received non-interest bearing promissory notes, which are held and accounted for within the Old Civic Insurance Fund and Old Police Insurance Fund. The conveyed assets acquired by the Corporation, as referenced above, are held and accounted for within the New Civic Insurance Fund and New Police Insurance Fund, respectively.

Each of the New Civic Insurance Fund and New Police Insurance Fund is held within the Corporation. Each of the Old Civic Insurance Fund and Old Police Insurance Fund is held in trust by the Corporation in its capacity as the Trustee. In addition, the Corporation, acting in an informal trust capacity, collects the portion of the Plans' contributions to be remitted on a first applied basis to the Plans' insurance company, and accordingly, may at any point hold in trust contributions equal to unremitted premiums.

The assets of the Old Civic Insurance Fund and the Old Police Insurance Fund are available to fund a portion of the premiums for retirees under the Plans. These assets will diminish as they are used to fund insurance premiums for retired members in accordance with the respective Plans.

Effective August 1, 2015, all contributions to the Plans which are not first applied to insurance premiums are credited to the New Civic Insurance Fund and New Police Insurance Fund, as applicable. All investment earnings on and after August 1, 2015 which relate to the assets of the New Civic Insurance Fund and New Police Insurance Fund are credited to the New Civic Insurance Fund and New Police Insurance Fund, respectively. All Plan administration and corporate operating costs on and after August 1, 2015 related to the Plans are charged to the New Civic Insurance Fund and New Police Insurance Fund, respectively. The assets of the New Civic Insurance Fund and New Police Insurance Fund are available to fund a portion of the premiums for retirees under the respective Plans.

The By-Law permits the Corporation to transfer ownership of funds from the New Civic Insurance Fund to the Old Civic Insurance Fund and from the New Police Insurance Fund to the Old Police Insurance Fund, if it is determined by the Directors of the Corporation to be in the overall best interests of the Plan members.

The Corporation has arranged for the Program Administration staff of The Winnipeg Civic Employees' Benefits Program to perform the day-to-day administration, excluding investments. The Plans' investments are managed by the City of Winnipeg. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

5. *Net Assets*

The 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 Plans’ administration costs.

The Plan’s net assets are allocated as follows:

	2018 Fair Value	2017 Fair Value
Net Assets - Civic Employees' Group Life Insurance Plan	**$ 128,850**	$ 134,826
Net Assets - Police Employees' Group Life Insurance Plan	**31,960**	32,765
	$ 160,810	$ 167,591

6. *Obligation for Post-Retirement Basic Life Insurance Benefits - Civic Employees' Group Life Insurance Plan*

An actuarial valuation of the Plan was performed as of December 31, 2016 by Eckler Ltd. The results of the December 31, 2016 actuarial valuation were extrapolated to December 31, 2018, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Combined Statement of Financial Position as at December 31, 2018. For the comparative 2017 figures, the results of the December 31, 2016 actuarial valuation were extrapolated to December 31, 2017, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Combined Statement of Financial Position as at December 31, 2017. The assumptions used were approved by the Corporation. 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 discount rate of 4.50% (2017 - 4.50%) per year and general increase in pay of 3.50% (2017 – 3.50%) per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The triennial actuarial valuation as at December 31, 2016 disclosed an actuarial surplus of $39,610 (2013 – $33,342) and a contingency reserve in the amount of $10,989 (2013 – $7,431).

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 smooths out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

6. *Obligation for Post-Retirement Basic Life Insurance Benefits - Civic Employees' Group Life Insurance Plan (continued)*

The effect of using a smoothed value of assets of the Plan in determining the estimated actuarial surplus or deficiency is as follows:

	2018	2017
Surplus for financial statement reporting purposes	**$ 50,349**	$ 59,000
Fair value changes not reflected in actuarial value of assets	**2,219**	(5,809)
Surplus for actuarial valuation purposes, as estimated	**$ 52,568**	$ 53,191

7. *Obligation for Post-Retirement Basic Life Insurance Benefits - Police Employees' Group Life Insurance Plan*

An actuarial valuation of the Plan was performed as of December 31, 2016 by Eckler Ltd. The results of the December 31, 2016 valuation were extrapolated to December 31, 2018, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Combined Statement of Financial Position as at December 31, 2018. For the comparative 2017 figures, the results of the December 31, 2016 valuation were extrapolated to December 31, 2017 to determine the actuarial present value of accured post-retirement basic life insurance benefits disclosed in the Combined Statement of Financial Position as at December 31, 2017. The assumptions used were approved by the Corporation. 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 discount rate of 4.50% (2017 - 4.50%) per year and general increases in pay of 3.50% (2017 – 3.50%) per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The triennial actuarial valuation as at December 31, 2016 disclosed an actuarial surplus of $7,478 (2013 - $5,436) and a contingency reserve in the amount of $2,841 (2013 - $1,843)

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 smooths out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

7. *Obligation for Post-Retirement Basic Life Insurance Benefits - Police Employees' Group Life Insurance Plan (continued)*

The effect of using a smoothed value of assets of the Plan in determining the estimated actuarial surplus or deficiency is as follows:

	2018	2017
Surplus for financial statement reporting purposes	**$ 11,307**	$ 12,943
Fair value changes not reflected in actuarial value of assets	**611**	(1,331)
Surplus for actuarial valuation purposes, as estimated	**$ 11,918**	$ 11,612

8. *Management of Financial Risk*

In the normal course of business, the Plans' investment activities expose it to a variety of financial risks. The Plans seek to minimize potential adverse effects of these risks on the Plans' performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plans' 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 Plans 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 Plans, and is concentrated in the Plans' investment in bonds and debentures and short-term deposits. At December 31, 2018, the Plans' credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $61,079 (2017 - $59,870).

The Plans' concentration of credit risk as at December 31, 2018, related to bonds and debentures, is categorized amongst the following types of issuers:

	2018 Fair Value	2017 Fair Value
Type of Issuer		
Government of Canada and Government of Canada guaranteed	**$ 18,685**	$ 18,638
Provincial and Provincial guaranteed	**16,394**	15,698
Canadian cities and municipalities	**395**	365
Corporations and other institutions	**23,561**	23,289
	$ 59,035	$ 57,990

The Plans limit 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.

8. Management of Financial Risk (continued)

a) Credit risk (continued)

As at December 31, bonds and debentures analyzed by credit rating are as follows:

	2018		2017	
	Percent of Total Bonds	**Percent of Net Assets**	Percent of Total Bonds	Percent of Net Assets
Credit Rating				
AAA	**34.9**	**12.8**	36.2	12.9
AA	**49.4**	**18.1**	34.7	12.4
A	**14.8**	**5.5**	28.7	10.3
Other	**0.9**	**0.3**	0.4	0.1
	100.0	**36.7**	100.0	35.7

b) Liquidity risk

Liquidity risk is the risk that the Plans will encounter difficulty in meeting obligations associated with financial liabilities. The Plans ensure they retain sufficient cash and short-term investment positions to meet their cash flow commitments, including the ability to fund benefit payments and to fund investment commitments. The Plans invest 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 Plans' interest bearing investments will fluctuate due to changes in market interest rates. The Plans' exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

The Plans' actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of salary escalation. The Plans' primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet the Plans' obligations.

The Plans have approximately 38% (2017 – 36%) of their assets invested in fixed income securities as at December 31, 2018. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

8. 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 Plans at December 31, 2018 are as follows:

	2018 Fair Value	2017 Fair Value
Term to Maturity		
One to five years	**$ 31,950**	$ 32,068
Greater than five years	**27,085**	25,922
	$ 59,035	$ 57,990

As at December 31, 2018, had prevailing interest rates raised or lowered by 0.5% (2017 – 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 $1,987 (2017 - $1,940), approximately 1.2% of total net assets (2017 – 1.2%). The Plans' 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 Plans' holdings of foreign equity investments and short-term deposits. The Plans' investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the Plans' net foreign currency exposure after giving effect to the net related economic hedge as at December 31, 2018.

The table also illustrates the potential impact to the Plans' 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.

8. *Management of Financial Risk (continued)*

d) Foreign currency risk (continued)

	2018				2017	
	Gross Exposure	**Net Foreign Currency Hedge**	**Net Exposure**	**Impact on Net Assets**	Net Exposure	Impact on Net Assets
United States	**$ 29,868**	**$ -**	**$ 29,868**	**$ 2,987**	$ 29,818	$ 2,982
Euro Countries	**6,190**	**-**	**6,190**	**619**	7,052	705
Japan	**6,377**	**-**	**6,377**	**638**	6,933	693
United Kingdom	**4,382**	**-**	**4,382**	**438**	4,972	497
Switzerland	**2,021**	**-**	**2,021**	**202**	2,099	210
Australia	**1,745**	**-**	**1,745**	**175**	1,907	191
Hong Kong	**909**	**-**	**909**	**91**	927	93
Sweden	**781**	**-**	**781**	**78**	841	84
Other	**2,852**	**-**	**2,852**	**285**	3,110	311
	$ 55,125	**$ -**	**$ 55,125**	**$ 5,513**	$ 57,659	$ 5,766

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 Plans' policy is to invest in a diversified portfolio of investments. As well, the Plans’ Manager moderates 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 these Plans, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2018, 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 $14,961 (2017 – $16,230), approximately 9.4% of total net assets (2017 - 9.7%). In practice, the actual results may differ and the difference could be material.

8. *Management of Financial Risk (continued)*

f) Fair value hierarchy

Financial instruments recorded at fair value on the Combined Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and, Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following tables present the investment assets recorded at fair value in the Combined Statement of Financial Position as at December 31, 2018 and December 31, 2017, classified using the fair value hierarchy described above:

	Level 1	**Level 2**	**Level 3**	**2018 Total Investment Assets at Fair Value**
Bonds and debentures	**$ 59,035**	**$ -**	**$ -**	**$ 59,035**
Foreign equities	**54,605**	**-**	**-**	**54,605**
Canadian equities	**45,138**	**-**	**-**	**45,138**
Cash and short term deposits	**2,044**	**-**	**-**	**2,044**
	$ 160,822	**$ -**	**$ -**	**$ 160,822**

	Level 1	Level 2	Level 3	2017 Total Investment Assets at Fair Value
Bonds and debentures	$ 57,990	$ -	$ -	$ 57,990
Foreign equities	57,282	-	-	57,282
Canadian equities	50,921	-	-	50,921
Cash and short term deposits	1,880	-	-	1,880
	$ 168,073	$ -	$ -	$ 168,073

9. *Investment Income*

		2018		2017
Bonds and debentures	**$**	**1,627**	$	1,347
Foreign equities		**1,625**		1,127
Canadian equities		**2,230**		1,054
Cash, short-term deposits and other		**53**		(4)
	$	**5,535**	$	3,524
Allocated to:				
Civic Employees' Group Life Insurance Plan	**$**	**4,445**	$	2,851
Police Employees' Group Life Insurance Plan		**1,090**		673
	$	**5,535**	$	3,524

10. *Investment Transaction Costs*

During the period, the Plans incurred investment transaction costs in the form of brokerage commissions, in the amount of $24 (2017 - $4). Investment transaction costs are included in the current period change in market value of investments.

11. *Income Tax Status*

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.

Effective August 1, 2015, the Plans' assets which earn investment income are held in the New Civic Insurance Fund and New Police Insurance Fund within the Corporation. The Corporation is wholly owned by the City of Winnipeg. The Corporation is considered to be non-taxable as part of municipal government.

Also effective August 1, 2015, the Plans' non-interest bearing assets are held within the Old Civic Insurance Fund and Old Police Insurance Fund, for each of which the Corporation is the trustee. The Old Civic Insurance Fund and Old Police Insurance Fund were continued from the predecessor Plans. As noted above, CRA has previously informed the City of Winnipeg that it was prepared to accept these trusts commencing their income tax reporting on a prospective basis starting in 2016, such that years prior to 2016 would not need to be reported. As currently structured, these trusts will not have any taxable income to report.

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

Schedule 1

SCHEDULE OF STATEMENT OF FINANCIAL POSITION BY PLANS AND FUNDS

As at December 31
(in $ thousands)
(unaudited)

		2018 Allocated as: Civic Employees' Plan			Police Employees' Plan		
	Civic and Police Employees' Group Life Insurance Plans	Old Civic Insurance Fund	New Civic Fund	Total	Old Police Insurance Fund	New Police Insurance Fund	Total
ASSETS							
Investments, at fair value							
Bonds and debentures	$ 59,035						
Foreign equities	54,605						
Canadian equities	45,138						
Cash and short-term deposits	1,284						
	160,062	$ -	$ 128,451	$ 128,451	$ -	$ 31,611	$ 31,611
Funds on deposit - Great-West Life	760	-	421	421	-	339	339
	160,822	-	128,872	128,872	-	31,950	31,950
Accounts receivable - dividends	470	-	378	378	-	92	92
Accounts receivable	68	115	(61)	54	22	(8)	14
Due from The Winnipeg Civic Employees' Pension Plan	19	-	15	15	-	4	4
Employers' contributions receivable	-	-	-	-	-	-	-
Total Assets	161,379	115	129,204	129,319	22	32,038	32,060
LIABILITIES							
Accounts payable	333	-	274	274	-	59	59
Premium Payable	236	115	80	195	22	19	41
Total Liabilities	569	115	354	469	22	78	100
LOAN BETWEEN INSURANCE FUNDS	-	128,850	(128,850)	-	31,960	(31,960)	-
NET ASSETS	$ 160,810	$ 128,850	$ -	128,850	$ 31,960	$ -	31,960
BENEFIT OBLIGATIONS				78,501			20,653
SURPLUS				$ 50,349			$ 11,307

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

Schedule 1

SCHEDULE OF STATEMENT OF FINANCIAL POSITION BY PLANS AND FUNDS

As at December 31
(in $ thousands)
(unaudited)

2017
Allocated as:

	Civic and Police Employees' Group Life Insurance Plans	Civic Employees' Plan: Old Civic Insurance Fund	Civic Employees' Plan: New Civic Fund	Civic Employees' Plan: Total	Police Employees' Plan: Old Police Insurance Fund	Police Employees' Plan: New Police Insurance Fund	Police Employees' Plan: Total
ASSETS							
Investments, at fair value							
Bonds and debentures	$ 57,990						
Foreign equities	57,282						
Canadian equities	50,921						
Cash and short-term deposits	561						
	166,754	$ -	$ 134,410	$ 134,410	$ -	$ 32,344	$ 32,344
Funds on deposit - Great-West Life	1,319	-	814	814	-	505	505
	168,073	-	135,224	135,224	-	32,849	32,849
Accounts receivable - dividends	-	-	-	-	-	-	-
Accounts receivable	67	120	(64)	56	21	(10)	11
Due from The Winnipeg Civic Employees' Pension Plan	22	-	18	18	-	4	4
Employers' contributions receivable	1	-	1	1	-	-	-
Total Assets	168,163	120	135,179	135,299	21	32,843	32,864
LIABILITIES							
Accounts payable	299	-	244	244	-	55	55
Premium Payable	273	120	109	229	21	23	44
Total Liabilities	572	120	353	473	21	78	99
LOAN BETWEEN INSURANCE FUNDS	-	134,826	(134,826)	-	32,765	(32,765)	-
NET ASSETS	$ 167,591	$ 134,826	$ -	134,826	$ 32,765	$ -	32,765
BENEFIT OBLIGATIONS				75,826			19,822
SURPLUS				$ 59,000			$ 12,943

THE CITY OF WINNIPEG

CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and

POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

Schedule 2

SCHEDULE OF STATEMENT OF CHANGES IN NET ASSETS BY PLANS AND FUNDS

For the year ended December 31
(in $ thousands)
(unaudited)

		2018 Allocated as:					
		Civic Employees' Plan			Police Employees' Plan		
	Civic and Police Employees' Group Life Insurance Plans	Old Civic Insurance Fund	New Civic Fund	Total	Old Police Insurance Fund	New Police Insurance Fund	Total
INCREASE IN ASSETS							
Contributions							
Employees - basic	$ 1,047	$ -	$ 787	$ 787	$ -	$ 260	$ 260
Employees - optional	388	-	307	307	-	81	81
	1,435	-	1,094	1,094	-	341	341
The City of Winnipeg and participating employers	1,052	-	794	794	-	258	258
Pensioners	200	-	148	148	-	52	52
	2,687	-	2,036	2,036	-	651	651
Investment income	5,535	-	4,445	4,445	-	1,090	1,090
Total decrease in assets	8,222	-	6,481	6,481	-	1,741	1,741
DECREASE IN ASSETS							
Current period change in fair value of investments	9,058	-	7,287	7,287	-	1,771	1,771
Benefit payments	5,334	2,944	1,737	4,681	551	102	653
Claims administration and taxes	277	-	238	238	-	39	39
Administration	273	-	220	220	-	53	53
Actuarial fees	55	-	26	26	-	29	29
Investment management fees	6	-	5	5	-	1	1
Total decrease in assets	15,003	2,944	9,513	12,457	551	1,995	2,546
NET DECREASE IN NET ASSETS FOR THE YEAR	(6,781)	(2,944)	(3,032)	(5,976)	(551)	(254)	(805)
NET ASSETS, BEGINNING OF YEAR	167,591	134,826	-	134,826	32,765	-	32,765
TRANSFER OF ASSETS BETWEEN INSURANCE FUNDS AT END OF YEAR	-	(3,032)	3,032	-	(254)	254	-
NET ASSETS, END OF YEAR	$ 160,810	$ 128,850	$ -	$ 128,850	$ 31,960	$ -	$ 31,960

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

Schedule 2

SCHEDULE OF STATEMENT OF CHANGES IN NET ASSETS BY PLANS AND FUNDS

For the year ended December 31
(in $ thousands)
(unaudited)

			2017 Allocated as:				
		Civic Employees' Plan			Police Employees' Plan		
	Civic and Police Employees' Group Life Insurance Plans	Old Civic Insurance Fund	New Civic Fund	Total	Old Police Insurance Fund	New Police Insurance Fund	Total
INCREASE IN ASSETS							
Contributions							
Employees - basic	$ 1,855	$ -	$ 1,366	$ 1,366	$ -	$ 489	$ 489
Employees - optional	471	-	378	378	-	93	93
	2,326	-	1,744	1,744	-	582	582
The City of Winnipeg and participating employers	1,849	-	1,361	1,361	-	488	488
Pensioners	351	-	254	254	-	97	97
	4,526	-	3,359	3,359	-	1,167	1,167
Current period change in fair value of investments	9,108	-	7,369	7,369	-	1,739	1,739
Investment income	3,524	-	2,851	2,851	-	673	673
Total increase in assets	17,158	-	13,579	13,579	-	3,579	3,579
DECREASE IN ASSETS							
Benefit payments	5,385	3,042	1,790	4,832	523	30	553
Claims administration and taxes	292	-	247	247	-	45	45
Administration	282	-	228	228	-	54	54
Actuarial fees	90	-	50	50	-	40	40
Investment management fees	6	-	5	5	-	1	1
Total decrease in assets	6,055	3,042	2,320	5,362	523	170	693
NET INCREASE (DECREASE) IN NET ASSETS FOR THE YEAR	11,103	(3,042)	11,259	8,217	(523)	3,409	2,886
NET ASSETS, BEGINNING OF YEAR	156,488	126,609	-	126,609	29,879	-	29,879
TRANSFER OF ASSETS BETWEEN INSURANCE FUNDS AT END OF YEAR	-	11,259	(11,259)	-	3,409	(3,409)	-
NET ASSETS, END OF YEAR	$ 167,591	$ 134,826	$ -	$ 134,826	$ 32,765	$ -	$ 32,765

THE CITY OF WINNIPEG

Schedule 3

CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

SCHEDULE OF STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS BY PLANS

For the year ended December 31
(in $ thousands)
(unaudited)

	2018	Allocated as:	
	Civic and Police Employees' Group Life Insurance Plans	Civic Employees' Plan	Police Employees' Plan
INCREASE IN BENEFIT OBLIGATIONS			
Interest on benefit obligations	$ 4,287	$ 3,396	$ 891
Benefits accrued	3,097	2,455	642
Total increase in benefit obligations	7,384	5,851	1,533
DECREASE IN BENEFIT OBLIGATIONS			
Benefits paid	3,878	3,176	702
Total decrease in benefit obligations	3,878	3,176	702
NET INCREASE IN BENEFIT OBLIGATIONS	3,506	2,675	831
BENEFIT OBLIGATIONS, BEGINNING OF YEAR	95,648	75,826	19,822
BENEFIT OBLIGATIONS, END OF YEAR	$ 99,154	$ 78,501	$ 20,653

THE CITY OF WINNIPEG — Schedule 3

CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

SCHEDULE OF STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS BY PLANS

For the year ended December 31
(in $ thousands)
(unaudited)

	2017	Allocated as:	
	Civic and Police Employees' Group Life Insurance Plans	**Civic Employees' Plan**	**Police Employees' Plan**
INCREASE IN BENEFIT OBLIGATIONS			
Benefits accrued	**$ 4,133**	**$ 3,280**	**$ 853**
Interest on benefit obligations	**3,006**	**2,383**	**623**
Total increase in benefit obligations	**7,139**	**5,663**	**1,476**
DECREASE IN BENEFIT OBLIGATIONS			
Benefits paid	**3,695**	**3,100**	**595**
Total decrease in benefit obligations	**3,695**	**3,100**	**595**
NET DECREASE IN BENEFIT OBLIGATIONS	**3,444**	**2,563**	**881**
BENEFIT OBLIGATIONS, BEGINNING OF YEAR	**92,204**	**73,263**	**18,941**
BENEFIT OBLIGATIONS, END OF YEAR	**$ 95,648**	**$ 75,826**	**$ 19,822**

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS

As at December 31, 2018
(unaudited)

		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	-	-	-	-	-	14,801,000
6973/97	March 17/97	27,254,138	-	-	-	-	-	27,254,138
6976/97	March 17/97	18,213,000	-	-	-	-	-	18,213,000
7751/01	March 9/01	14,699,820	-	-	-	-	-	14,699,820
72/2006	March 22/06	2,627,045	-	-	-	-	-	2,627,045
32/2007	February 21/07	1,696,000	-	-	-	-	-	1,696,000
219/2007	January 23/08	3,488,000	-	-	10,748,000	-	-	14,236,000
184/2008	May 27/09	7,845,000	-	-	52,392,000	-	-	60,237,000
120/2009	November 25/09	50,000,000	-	-	-	-	-	50,000,000
150/2009	January 27/10	-	-	-	69,865,000	-	-	69,865,000
144/2011	January 25/12	18,967,000	-	-	-	-	-	18,967,000
100/2012	December 12/12	10,000,000	-	-	-	-	-	10,000,000
149/2013	March 26/14	5,024,000	-	-	-	-	-	5,024,000
5/2015	June 17/15	135,000	31,000,000	-	154,350,000	-	-	185,485,000
20/2016	May 18/16	-	112,000,000	-	-	-	-	112,000,000
40/2016	April 27/16	40,632,000	21,664,000	-	579,286,000	-	-	641,582,000
	April 27/16	-	-	-	-	-	6,805,000	6,805,000
136/2016	January 25/17	30,530,000	23,550,000	-	-	2,450,000	-	56,530,000
	June 21/17	-	-	-	-	-	9,635,000	9,635,000
	December 13/17	-	-	-	-	-	10,383,000	10,383,000
133/2017	January 25, 2018	64,566,000	9,991,000	-	-	2,800,000	-	77,357,000
		$ 317,478,003	$ 198,205,000	$ -	$ 866,641,000	$ 5,250,000	$ 26,823,000	$ 1,414,397,003

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, 2018

Outstanding Capital Borrowing Authorization at December 31, 2017	$ 1,368,703,003
Add:	
By-law 133/2017	77,357,000
Deduct:	
Unused Borrowing Authority Rescinded per Bylaw 133/2017	(14,563,000)
Toronto Dominion Bank Fleet Loan	(6,200,000)
Royal Bank of Canada Bank Fleet Loan	(10,900,000)
Outstanding Capital Borrowing Authorization at December 31, 2018	$ 1,414,397,003

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT ISSUES
As at December 31, 2018
(unaudited)

Term	Month	Interest Rate	By-Law Number	Amount of Debt
The City of Winnipeg				
Sinking Fund Debt				
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
2015-2045	June 1	3.828	144/11, 100/12, 23/13, 149/13, 5/15, 61/15	60,000,000
2016-2045	June 1	3.303	72/06, 23/13, 149/13, 5/15, 96/15, 40/16	80,000,000
2011-2051	Nov. 15	4.300	72/06 & 183/08 & 150/09	50,000,000
2012-2051	Nov. 15	3.853	93/2011	50,000,000
2012-2051	Nov. 15	3.759	120/09 & 93/11 & 138/11	75,000,000
2013-2051	Nov. 15	4.391	93/2011 & 84/2013	60,000,000
2014-2051	Nov. 15	3.893	93/2011 & 145/2013	52,568,000
				767,568,000
Serial Debt				
2009-2019	Oct. 6	4.500	46/2007 & 31/2009	4,848,000
Total Debt				$ 772,416,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE
As at December 31, 2018
(unaudited)

	Debenture Debt		
Description	**Gross**	**Sinking Fund**	**Net**
Tax-Supported			
General	$ 331,998,497	$ 19,207,638	$ 312,790,859
Other Funds			
Transit System	93,444,000	11,350,298	82,093,702
Municipal Accommodations	60,883,284	3,831,542	57,051,742
Total Tax-Supported and Other Funds	486,325,781	34,389,478	451,936,303
City-Owned Utilities			
Waterworks System	160,000,000	38,756,227	121,243,773
Sewage Disposal System	24,000,000	945,939	23,054,061
Solid Waste Disposal	8,637,045	340,421	8,296,624
Land Drainage Utility	453,174	-	453,174
Total City-Owned Utilities	193,090,219	40,042,587	153,047,632
Reserves			
Destination Marketing	41,000,000	2,590,096	38,409,904
Local Street Renewal	27,000,000	1,712,141	25,287,859
Regional Street Renewal	25,000,000	1,402,831	23,597,169
Total Reserves	93,000,000	5,705,068	87,294,932
	$ 772,416,000	$ 80,137,133	$ 692,278,867

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE (continued)
As at December 31, 2018
(unaudited)

	2019 Fixed Annual Charges		
Description	**Interest**	**Principal**	**Total**
Tax-Supported	$ 12,926,105	$ 8,044,950	$ 20,971,055
Other Funds			
Transit System	4,510,365	1,338,887	5,849,252
Municipal Accommodations	2,375,803	1,085,132	3,460,935
Total Tax-Supported and Other Funds	19,812,273	10,468,969	30,281,242
City-Owned Utilities			
Waterworks System	8,320,000	2,836,000	11,156,000
Sewage Disposal System	792,720	453,118	1,245,838
Solid Waste Disposal	285,282	163,067	448,349
Land Drainage Utility	15,588	453,174	468,762
Total City-Owned Utilities	9,413,590	3,905,359	13,318,949
Reserves			
Destination Marketing	1,536,857	645,158	2,182,015
Local Street Renewal	1,044,010	426,098	1,470,108
Regional Street Renewal	919,250	412,750	1,332,000
Total Reserves	3,500,117	1,484,006	4,984,123
	$ 32,725,980	$ 15,858,334	$ 48,584,314

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT CHANGES DURING 2018
(unaudited)

Gross Debt as at January 1, 2018			$ 777,264,000
Debt Issued During 2018			-
Sub-total			777,264,000
Debt Retired During 2018			
Tax-Supported Debt:			
Assessment - Special Projects	98,052		
Business Liaison - Special Projects	310		
Community Improvement Program	77,450		
Community Services - Special Projects	26,550		
Corporate Finance - Special Projects	5,576		
Fire	25,001		
Infrastructure	130,116		
Infrastructure - Parks and Recreation	19,335		
Infrastructure - Streets and Bridges	123,900		
Land and Development - Special Projects	146,659		
Libraries	43,328		
Parks and Recreation	284,764		
Parks and Recreation - Special Projects	75,281		
Police	188,009		
Special Projects	40,000		
Streets and Bridges System	2,450,291		
Winnipeg Development Agreement	123,920	3,858,542	
Utilities Debt:			
Transit System	75,000		
Municipal Accommodations	461,284		
Land Drainage Utility	453,174	989,458	(4,848,000)
Gross Debt as at December 31, 2018			$ 772,416,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT - MATURITY BY YEARS
As at December 31, 2018
(unaudited)

Maturity Year	Sinking Fund Debt	Serial and Installment Debt	Total	%
2019	$ -	$ 4,848,000	$ 4,848,000	0.63
2036	160,000,000	-	160,000,000	20.71
2041	60,000,000	-	60,000,000	7.77
2045	260,000,000	-	260,000,000	33.66
2051	287,568,000	-	287,568,000	37.23
Gross Debt	$ 767,568,000	$ 4,848,000	772,416,000	100.00
Less: Sinking Fund Reserve			80,137,133	
Net Debt			$ 692,278,867	

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES
As at December 31, 2018
(unaudited)

Maturity Year	General Tax-Supported	Transit System	Waterworks System	Sewage Disposal	Sold Waste Disposal	Land Drainage	Municipal Accommodations	Reserves	Total
2019	$ 3,858,542	$ 75,000	$ -	$ -	$ -	$ 453,174	$ 461,284	$ -	$ 4,848,000
2036	-	-	160,000,000	-	-	-	-	-	160,000,000
2041	-	60,000,000	-	-	-	-	-	-	60,000,000
2045	127,743,955	3,619,000	-	24,000,000	8,637,045	-	3,000,000	93,000,000	260,000,000
2051	200,396,000	29,750,000	-	-	-	-	57,422,000	-	287,568,000
	$ 331,998,497	$ 93,444,000	$ 160,000,000	$ 24,000,000	$ 8,637,045	$ 453,174	$ 60,883,284	$ 93,000,000	$ 772,416,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

ANNUAL DEBENTURE DEBT SERVICE CHARGES ON EXISTING DEBT
For the years ending December 31
(unaudited)

	Tax-Supported			Utilities (Includes Transit System and Municipal Accommodations)			Reserve Funds			
Year	**Principal**	**Interest**	**Sub-total**	**Principal**	**Interest**	**Sub-total**	**Principal**	**Interest**	**Sub-total**	**Total**
2019	$ 8,044,950	$ 12,926,105	$ 20,971,055	$ 6,329,378	$ 16,299,758	$ 22,629,136	$ 1,484,006	$ 3,500,117	$ 4,984,123	$ 48,584,314
2020-2036	71,168,950	217,487,497	288,656,447	90,778,637	276,517,288	367,295,925	25,228,092	59,501,983	84,730,075	740,682,447
2037-2041	20,932,043	63,966,910	84,898,953	12,519,597	39,728,620	52,248,217	7,420,024	17,500,585	24,920,609	162,067,779
2042-2045	16,745,634	51,173,528	67,919,162	6,309,250	19,422,896	25,732,146	5,936,020	14,000,468	19,936,488	113,587,796
2046-2051	12,287,961	47,987,256	60,275,217	5,115,789	21,146,082	26,261,871	-	-	-	86,537,088
	$ 129,179,538	$ 393,541,296	$ 522,720,834	$ 121,052,651	$ 373,114,644	$ 494,167,295	$ 40,068,142	$ 94,503,153	$ 134,571,295	$ 1,151,459,424

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE

As at December 31, 2018
(unaudited)

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2019 Interest	Annual Charges 2019 Principal	Sinking Fund Reserve at Dec. 31, 2018
STREETS AND BRIDGE SYSTEM								
(street improvements, street lighting, bridges and underpasses)								
46/2007 & 31/2009	$ 2,450,291	Oct. 6, 2009-2019	CAN	Serial	4.500	$ 84,283	$ 2,450,291	$ -
144/11 & 149/13	37,855,000	Jun. 1, 2014-2045	CAN	4.500	4.100	1,552,055	584,611	2,566,759
23/13 & 149/13	10,871,000	Jun. 1, 2014-2045	CAN	4.500	3.713	403,640	167,886	737,108
144/11 & 5/15	8,150,000	Jun. 1, 2015-2045	CAN	4.500	3.828	311,982	133,591	430,084
5/2015 & 40/2016	19,891,000	Jun. 1, 2016-2045	CAN	4.000	3.303	657,000	375,541	783,986
150/2009	18,700,000	Nov. 15, 2011-2051	CAN	4.500	4.300	804,100	174,717	1,409,027
120/2009	25,000,000	Nov. 15, 2012-2051	CAN	4.500	3.759	939,750	246,392	1,664,373
	122,917,291					4,752,810	4,133,029	7,591,337
PARKS AND RECREATION								
46/2007 & 31/2009	284,764	Oct. 6, 2009-2019	CAN	Serial	4.500	9,795	284,764	-
LIBRARIES								
46/2007 & 31/2009	43,328	Oct. 6, 2009-2019	CAN	Serial	4.500	1,490	43,328	-
23&149/13, 5/15, 40/16	13,759,000	Jun. 1, 2016-2045	CAN	4.000	3.303	454,460	259,769	542,299
	13,802,328					455,950	303,097	542,299
FIRE								
46/2007 & 31/2009	25,001	Oct. 6, 2009-2019	CAN	Serial	4.500	860	25,001	-
5/2015	808,000	Jun. 1, 2015-2045	CAN	4.500	3.828	30,930	13,244	42,639
5/2015 & 40/2016	1,109,000	Jun. 1, 2016-2045	CAN	4.000	3.303	36,630	20,938	43,710
	1,942,001					68,420	59,183	86,349

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2018

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2019 Interest	Annual Charges 2019 Principal	Sinking Fund Reserve at Dec. 31, 2018
POLICE								
46/2007 & 31/2009	188,009	Oct. 6, 2009-2019	CAN	Serial	4.500	6,467	188,009	-
93/2011	50,000,000	Nov. 15, 2012-2051	CAN	4.500	3.853	1,926,500	492,783	3,328,745
93/2011	8,586,000	Nov. 15, 2012-2051	CAN	4.500	3.759	322,748	84,621	571,612
93/2011	43,992,000	Nov. 15, 2013-2051	CAN	4.500	4.391	1,891,656	457,591	2,517,546
93/11 & 145/13	52,568,000	Nov. 15, 2014-2051	CAN	4.500	3.893	2,046,472	577,408	2,484,272
	155,334,009					6,193,843	1,800,412	8,902,175
SPECIAL PROJECTS								
46/2007 & 31/2009	40,000	Oct. 6, 2009-2019	CAN	Serial	4.500	1,376	40,000	-
INFRASTRUCTURE								
46/2007 & 31/2009	130,116	Oct. 6, 2009-2019	CAN	Serial	4.500	4,476	130,116	-
INFRASTRUCTURE - PARKS AND RECREATION								
46/2007 & 31/2009	19,335	Oct. 6, 2009-2019	CAN	Serial	4.500	665	19,335	-
INFRASTRUCTURE - STREETS AND BRIDGES								
46/2007 & 31/2009	123,900	Oct. 6, 2009-2019	CAN	Serial	4.500	4,262	123,900	-
COMMUNITY IMPROVEMENT PROGRAM								
46/2007 & 31/2009	77,450	Oct. 6, 2009-2019	CAN	Serial	4.500	2,664	77,450	-

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2018

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2019 Interest	Annual Charges 2019 Principal	Sinking Fund Reserve at Dec. 31, 2018
ASSINIBOINE PARK - COMMUNITY SERVICES								
23/13 & 149/13	11,626,000	Jun. 1, 2014-2045	CAN	4.500	4.100	476,666	179,546	788,301
96/2015	2,000,000	Jun. 1, 2016-2045	CAN	4.000	3.303	66,060	37,760	78,828
	13,626,000					542,726	217,306	867,129
LOCAL IMPROVEMENTS								
149/2013	519,000	Jun. 1, 2014-2045	CAN	4.500	4.100	21,279	8,015	35,191
149/2013	761,000	Jun. 1, 2014-2045	CAN	4.500	3.713	28,256	11,752	51,600
149/13 & 5/15	1,791,000	Jun. 1, 2015-2045	CAN	4.500	3.828	68,559	29,357	94,512
72/06, 5/15, 40/16	4,603,955	Jun. 1, 2016-2045	CAN	4.000	3.303	152,069	86,922	181,461
72/2006	1,550,000	Nov. 15, 2011-2051	CAN	4.500	4.300	66,650	14,482	116,791
	9,224,955					336,813	150,528	479,555
WINNIPEG DEVELOPMENT AGREEMENT								
46/2007 & 31/2009	123,920	Oct. 6, 2009-2019	CAN	Serial	4.500	4,262	123,920	-
SPECIAL PROJECTS - PARKS AND RECREATION								
46/2007 & 31/2009	75,281	Oct. 6, 2009-2019	CAN	Serial	4.500	2,589	75,281	-
SPECIAL PROJECTS - COMMUNITY SERVICES								
46/2007 & 31/2009	26,550	Oct. 6, 2009-2019	CAN	Serial	4.500	913	26,550	-
61/2015	14,000,000	Jun. 1, 2015-2045	CAN	4.500	3.828	535,920	229,482	738,794
	14,026,550					536,833	256,032	738,794

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2018

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2019 Interest	Annual Charges 2019 Principal	Sinking Fund Reserve at Dec. 31, 2018
SPECIAL PROJECTS - LAND AND DEVELOPMENT								
46/2007 & 31/2009	146,659	Oct. 6, 2009-2019	CAN	Serial	4.500	5,045	146,659	-
SPECIAL PROJECTS - ASSESSMENT								
46/2007 & 31/2009	98,052	Oct. 6, 2009-2019	CAN	Serial	4.500	3,373	98,052	-
SPECIAL PROJECTS - CORPORATE FINANCE								
46/2007 & 31/2009	5,576	Oct. 6, 2009-2019	CAN	Serial	4.500	192	5,576	-
SPECIAL PROJECTS - BUSINESS LIAISON								
46/2007 & 31/2009	310	Oct. 6, 2009-2019	CAN	Serial	4.500	11	310	-
Tax-Supported Total	**331,998,497**					**12,926,105**	**8,044,950**	**19,207,638**

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE
As at December 31, 2018

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2019 Interest	Annual Charges 2019 Principal	Sinking Fund Reserve at Dec. 31, 2018
TRANSIT SYSTEM								
46/2007 & 31/2009	75,000	Oct. 6, 2009-2019	CAN	Serial	4.500	2,580	75,000	-
183/2008	60,000,000	June 3, 2010-2041	CAN	4.500	5.150	3,090,000	926,607	8,917,687
23/2013	3,619,000	Jun. 1, 2015-2045	CAN	4.500	3.828	138,535	59,321	190,978
183/2008	29,750,000	Nov. 15, 2011-2051	CAN	4.500	4.300	1,279,250	277,959	2,241,633
	93,444,000					4,510,365	1,338,887	11,350,298
WATERWORKS SYSTEM								
183/04 & 72/06	60,000,000	July 17, 2006-2036	CAN	4.500	5.200	3,120,000	984,000	15,529,903
72/06 & 32/07	100,000,000	July 17, 2008-2036	CAN	4.500	5.200	5,200,000	1,852,000	23,226,324
	160,000,000					8,320,000	2,836,000	38,756,227
SEWAGE DISPOSAL SYSTEM								
5/2015	24,000,000	Jun. 1, 2016-2045	CAN	4.000	3.303	792,720	453,118	945,939
SOLID WASTE DISPOSAL								
23/13, 149/13, 5/15, 40/16	8,637,045	Jun. 1, 2016-2045	CAN	4.000	3.303	285,282	163,067	340,421
LAND DRAINAGE FUND								
46/2007 & 31/2009	365,109	Oct. 6, 2009-2019	CAN	Serial	4.500	12,559	365,109	-
46/2007 & 31/2009	88,065	Oct. 6, 2009-2019	CAN	Serial	4.500	3,029	88,065	-
	453,174					15,588	453,174	-

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)
As at December 31, 2018

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2019 Interest	Annual Charges 2019 Principal	Sinking Fund Reserve at Dec. 31, 2018
MUNICIPAL ACCOMMODATIONS								
46/2007 & 31/2009	461,284	Oct. 6, 2009-2019	CAN	Serial	4.500	15,867	461,284	-
23/2013	3,000,000	Jun. 1, 2015-2045	CAN	4.500	3.828	114,840	49,175	158,313
138/2011	41,414,000	Nov. 15, 2012-2051	CAN	4.500	3.759	1,556,752	408,163	2,757,133
84/2013	16,008,000	Nov. 15, 2013-2051	CAN	4.500	4.391	688,344	166,510	916,096
	60,883,284					2,375,803	1,085,132	3,831,542
Utility Total	**347,417,503**					**16,299,758**	**6,329,378**	**55,224,427**

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED RESERVE FUNDS DEBENTURE DEBT BY PURPOSE
As at December 31, 2018

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2019 Interest	Annual Charges 2019 Principal	Sinking Fund Reserve at Dec. 31, 2018
DESTINATION MARKETING RESERVE								
100/2012	28,368,000	Jun. 1, 2014-2045	CAN	4.500	3.713	1,053,304	438,100	1,923,493
100/2012	12,632,000	Jun. 1, 2015-2045	CAN	4.500	3.828	483,553	207,058	666,603
	41,000,000					1,536,857	645,158	2,590,096
LOCAL STREETS RENEWAL RESERVE								
23/2013	10,000,000	Jun. 1, 2014-2045	CAN	4.500	4.100	410,000	154,435	678,051
149/2013	10,000,000	Jun. 1, 2014-2045	CAN	4.500	3.713	371,300	154,434	678,050
5/2015	6,000,000	Jun. 1, 2015-2045	CAN	4.500	3.828	229,680	98,349	316,626
40/2016	1,000,000	Jun. 1, 2016-2045	CAN	4.000	3.303	33,030	18,880	39,414
	27,000,000					1,044,010	426,098	1,712,141
REGIONAL STREETS RENEWAL RESERVE								
149/2013	10,000,000	Jun. 1, 2014-2045	CAN	4.500	3.713	371,300	154,435	678,050
5/2015	10,000,000	Jun. 1, 2015-2045	CAN	4.500	3.828	382,800	163,915	527,710
40/2016	5,000,000	Jun. 1, 2016-2045	CAN	4.000	3.303	165,150	94,400	197,071
	25,000,000					919,250	412,750	1,402,831
Reserve Funds Total	**93,000,000**					**3,500,117**	**1,484,006**	**5,705,068**
Grand Total	**$ 772,416,000**					**$ 32,725,980**	**$ 15,858,334**	**$ 80,137,133**

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.

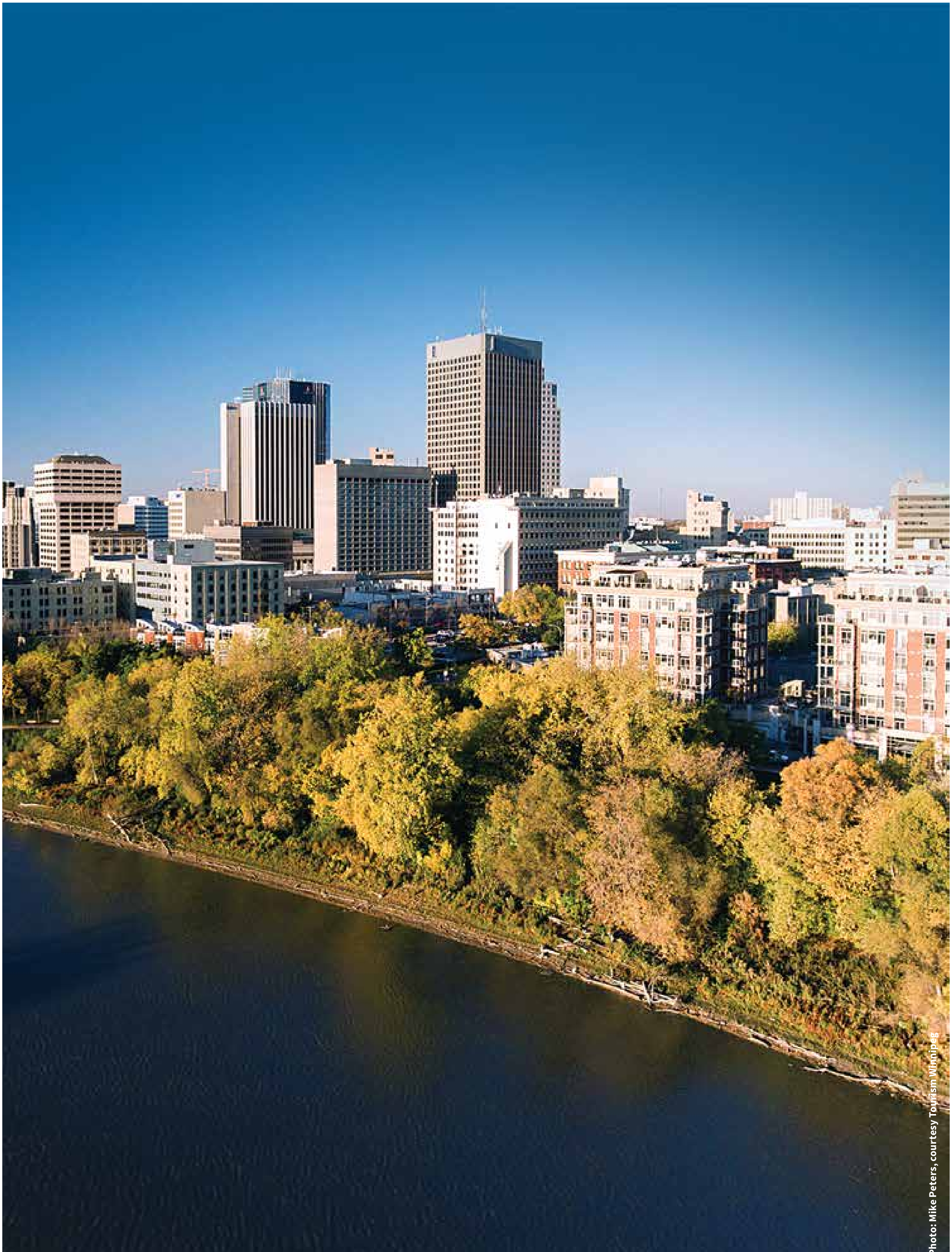

Photo: Mike Peters, courtesy Tourism Winnipeg

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