The City of Winnipeg
Annual Financial Report

2011

Winnipeg

Vision

To be a vibrant and healthy city which places its highest priority in quality of life for all its citizens.

Corporate Mission

Working together to achieve affordable, responsive and innovative public service.

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Winnipeg Public Library
Family Literacy Fun Day!
Games & Activities
Fun for the whole

Message from the Mayor

Winnipeg on Growth Trajectory

In Winnipeg, 2011 will always be remembered as the year the Jets returned. The team's return generated enthusiasm, energy and civic pride, boosting a sense of certainty that Winnipeg is destined for great things. Some highly visible multi-million dollar projects within the City's boundaries reinforced this optimism. As the months went by, the Canadian Museum for Human Rights began to reach upward, taking its place on Winnipeg's downtown skyline. Then, in the City's south end, a ground-breaking ceremony took place on the site of the new stadium for the Winnipeg Blue Bombers. The City of Winnipeg is on a growth trajectory, creating an environment where more and more people want to live, work and play.

With the support of the City of Winnipeg's tourism and development agencies, such as Economic Development Winnipeg, Tourism Winnipeg, CentreVenture, and Yes!Winnipeg, announcements came one after another, with plans to turn neglected buildings into modern developments, including commercial and residential projects such as the Avenue Building on the City's main thoroughfare, Portage Avenue. Major, private investment in the City's downtown, such as Longboat Development Corporation's hotel complex, demonstrate the confidence that investors have in the future of Winnipeg. As a result, the number of vacant buildings in our City is dropping, while investment dollars continue to climb. The City of Winnipeg continues to encourage those who have a bold vision for what Winnipeg can achieve.

At the same time, the City is investing in basic infrastructure vital to remaining attractive to investors. Through public-private partnerships, the Chief Peguis Trail Extension project was completed in December, 2011, on budget and a year ahead of schedule. Later named Manitoba's best-managed project by the Project Management Institute, the Chief Peguis Trail Extension has become a best practice model for public-private partnerships. The reconstruction of the Disraeli Bridges project is Winnipeg's largest bridge project ever and will carry 42,000 vehicles per day, making the movement of commerce and people much more efficient than it is today.

For the City of Winnipeg, 2011 was also about improving services for citizens, with recreation at the top of the list. Community centres, including Winakwa, Southdale, Linden Woods, Sturgeon Heights and Sinclair Park all received major facelifts. Winakwa, for example, nearly doubled in size. The City also invested in playground renovation, including replacing play equipment, playground surfaces and more. With support from the Province of Manitoba, the City of Winnipeg completed four splash pads and work started on seven more.

City Council also approved an ambitious waste minimization strategy designed to significantly boost Winnipeg's low diversion rate of 15% by providing uniform and equitable garbage collection service for residents, together with more opportunities to reduce and recycle. It is expected that Winnipeggers will embrace the new services and increase our diversion rate to more than 50%. The new garbage and recycling services will be phased in starting August 2012.

SpeakUpWinnipeg, a multi-faceted public engagement initiative through which over 42,000 citizens and stakeholders gave their vision of what Winnipeg might look like in the future, culminated in the development of Our**Winnipeg**, which was adopted as the plan that will guide the physical, social, environmental and economic development of our city over the next 25 years. The Our**Winnipeg**/SpeakUpWinnipeg initiative earned the City the Canadian Institute of Planners Award for Planning Excellence.

In 2011, City Council supported the Winnipeg Police Service and the Winnipeg Fire Paramedic Service with new infrastructure. In February, the Winnipeg Police Service helicopter flew into the air for the first time, responding to nearly 2,000 calls and assisting with 135 arrests. Council also approved the replacement of three existing Fire Paramedic stations as well as the construction of a new one.

In closing, I want to mention the achievements of the City's Aboriginal Youth Strategy. Working with community-based organizations to support employment-based programs, education and job training, hundreds of Aboriginal youth gained experience and employment, as well as recreation opportunities that they would not have experienced otherwise. I believe Aboriginal youth are one of the City of Winnipeg's greatest assets, and the key to helping them realize their potential is a commitment to education and mentorship.

I encourage you to read through the report to learn more about all the City of Winnipeg has to offer.

Sam Katz

Mayor Sam Katz

Message from the Chief Administrative Officer

As opportunities unfold in Winnipeg – of a number and quality not seen for many years – Winnipeg's Public Service is excited to play a key part in this good news story. We are working to support our Mayor and Council in their priorities, and help citizens make the most of life in one of Canada's great cities. In 2011, our goal was to excel in our role as planners, partners, and service providers in the community.

Winnipeg is a great place to live, work, and invest. KPMG recently reported that Winnipeg is the most cost-competitive of 25 key western Canadian and Midwestern U.S. cities it surveyed. The Conference Board of Canada expects our metropolitan population to grow by 48,000 people over the next five years, and anticipates that our economy (including our manufacturing sector) will continue to grow as well.

Careful fiscal planning through the City's multi-year budget process has been crucial to helping Council achieve its goals. Today, Winnipeg has among the lowest property taxes and operating costs in Canada. Both Standard & Poor's and Moody's Investors Service recently reaffirmed Winnipeg's credit rating, at AA, and Aa1, respectively, with the former agency noting that its rating reflects its assessment of "the city's healthy budgetary performance, robust liquidity, and strong economic performance compared with that of peers."

A broad, consultative approach helped the City develop Our**Winnipeg**, the blueprint for our future planning as a community, which took effect in August, 2011. Over 42,000 Winnipeggers took part in the development of Our**Winnipeg**, sharing their aspirations for the future, and their ideas about how to get there – a process for which the City has received both a Manitoba Planning Excellence Award, and the Canadian Institute of Planners' Award for Planning Excellence.

Good planning, in every profession and discipline, has laid a foundation for civic progress. Building on that foundation has meant developing new and effective partnerships: with businesses, not-for-profit organizations, educational institutions, community groups and individuals, and other levels of government. Every addition to Winnipeg's skyline and improvement to Winnipeg's streetscape is the result of a constructive conversation, or many conversations, that led to a partnership.

As a public service, we are proud to assist Council in pursuing innovative partnerships. In initiatives from the development of a new Sports, Hospitality, and Entertainment District, to the exploration of service-sharing with neighbouring municipalities – we are working to be a creative catalyst, supporting the citizens, businesses, and organizations whose good ideas make sustainable growth possible.

Above all, we never forget, as public servants, that we are service providers. Whether we are streamlining permit processes to make doing business easier, improving training and gear for firefighters and paramedics to keep citizens safer, working to ensure young people have access to quality recreation, or coming together in every department to make flood preparations – as staff did so capably in 2011 – maintaining a high standard of service to citizens is always our goal.

Thank you to all the members of Winnipeg's Public Service for your efforts in 2011, and thank you to the Mayor and Council for the opportunity to help you serve the community. We will continue to offer our best ideas, imagination, and energy, in 2012.

Phil Sheegl
Chief Administrative Officer


MTS centre

2010-2014

13th Council of the City of Winnipeg Members & Appointments (for 2011)

Mayor Sam Katz
Chairperson, Executive Policy Committee
Secretary of Urban Aboriginal Opportunities
Secretary of Intergovernmental Affairs

Jeff Browaty
NORTH KILDONAN WARD
Chairperson, Standing Policy Committee on Property and Development

Ross Eadie
MYNARSKI WARD
Chairperson, Access Advisory Committee

Scott Fielding
ST. JAMES – BROOKLANDS WARD
Chairperson, Standing Policy Committee on Finance
Chairperson, Alternate Service Delivery Committee
Councillor Responsible for Economic Partnership (commencing November 2, 2011)

Jenny Gerbasi
FORT ROUGE – EAST FORT GARRY WARD
Chairperson, Winnipeg Housing Steering Committee (commencing November 2, 2011)

Paula Havixbeck
CHARLESWOOD – TUXEDO WARD
Acting Deputy Mayor
Chairperson, Standing Policy Committee on Protection and Community Services (commencing August 26, 2011)
Councillor Responsible for Assiniboine Park Governance
Councillor Responsible for Corporate Sponsorship

Brian Mayes
ST. VITAL WARD (Commencing December 13, 2011)

Grant Nordman
ST. CHARLES WARD
Speaker of Council
Chairperson, Council Secretariat Committee (until February 23, 2011)
Chairperson, Governance Committee of Council (commencing February 23, 2011)
Chairperson, Mayor's Seniors Advisory Committee

John Orlikow
RIVER HEIGHTS – FORT GARRY WARD

Michael Pagtakhan
POINT DOUGLAS WARD
Deputy Speaker
Chairperson, Winnipeg Housing Steering Committee (until November 2, 2011)
Chairperson, Citizen Equity Committee
Youth Ambassador

Devi Sharma
OLD KILDONAN WARD

Harvey Smith
DANIEL MCINTYRE WARD
Chairperson, Winnipeg Committee for Safety

Thomas Steen
ELMWOOD – EAST KILDONAN WARD
Youth and Recreational Opportunities (commencing November 2, 2011)

Gord Steeves
ST. VITAL WARD (Resigned August 26, 2011)
Chairperson, Standing Policy Committee on Protection and Community Services (until August 26, 2011)
Councillor Responsible for the Kansas City Economic Partnership (until August 26, 2011)

Justin Swandel
ST. NORBERT WARD
Deputy Mayor
Chairperson, Standing Policy Committee on Downtown Development (until March 23, 2011)
Chairperson, Riverbank Management Committee (until March 23, 2011)
Chairperson, Standing Policy Committee on Downtown Development, Heritage and Riverbank Management (commencing March 23, 2011)

Daniel Vandal
ST. BONIFACE WARD
Chairperson, Standing Policy Committee on Infrastructure Renewal and Public Works

Russ Wyatt
TRANSCONA WARD
Chairperson, Mayor's Environmental Advisory Committee
Councillor Responsible for Assiniboine Park Governance (commencing November 2, 2011)
Member, Executive Policy Committee (commencing October 28, 2011)

2011 Senior Administrators

Phil Sheegl
Chief Administrative Officer

Deepak Joshi
Chief Operating Officer

Michael Ruta
Chief Financial Officer

Linda Burch
Director, Corporate Support Services

Reid Douglas
Chief, Winnipeg Fire Paramedic Service

Nelson Karpa
City Assessor

Keith McCaskill
Chief, Winnipeg Police Service

Brad Sacher
Director, Public Works

Diane Sacher
Director, Water and Waste

Leonard Strijack
Director of Legal Services/City Solicitor

Barry Thorgrimson
Acting Director, Planning, Property and Development

Dave Wardrop
Director, Winnipeg Transit

Clive Wightman
Director, Community Services

Richard Kachur
City Clerk

Brian Whiteside
City Auditor

Winnipeg – Its People and the Economy

Winnipeg's population continues to grow. In 2011, Winnipeg's population was 691,800 – an increase of over 54,000 people over the past decade.

Historically Winnipeg had:

- modest population growth in the late 1980s;
- limited population growth in the 1990s; and
- renewed population growth since the late 1990s.

The primary reasons for this resumed growth are a significant increase in immigration, and a combination of less people leaving and more people coming to Winnipeg from other parts of Canada.

Over the last three years, the City's population, on average, has grown by approximately 9,000 per year.

Population Forecast

Winnipeg's population is expected to grow by 70,000 people in the next 10 years; and 157,000 people in the next 20 years.

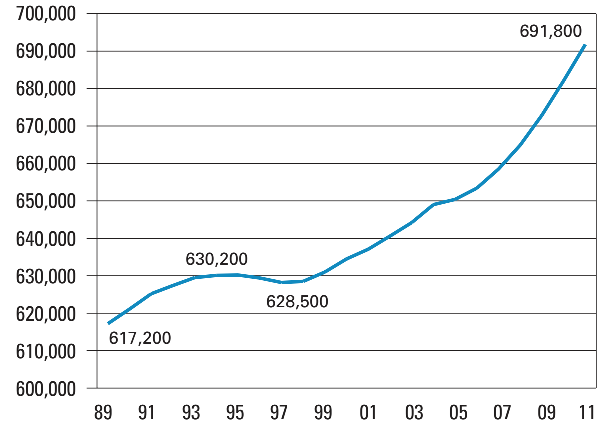
Winnipeg's population growth rate has increased recently to 1.4% which is in the range of strong growth.

The Conference Board forecasts growth to continue in the short term at an average of 1.2% annually over the next 5 years.

The City region Census Metropolitan Area (CMA) is forecast to grow by 48,000 people by 2016.

POPULATION OF THE CITY OF WINNIPEG

1989 TO 2011

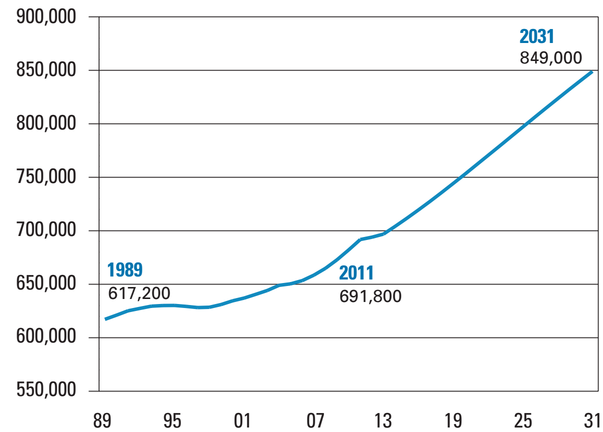


Source: Statistics Canada, Demography Division

POPULATION FORECAST FOR THE CITY OF WINNIPEG

(Adjusted to new 2008 population base)

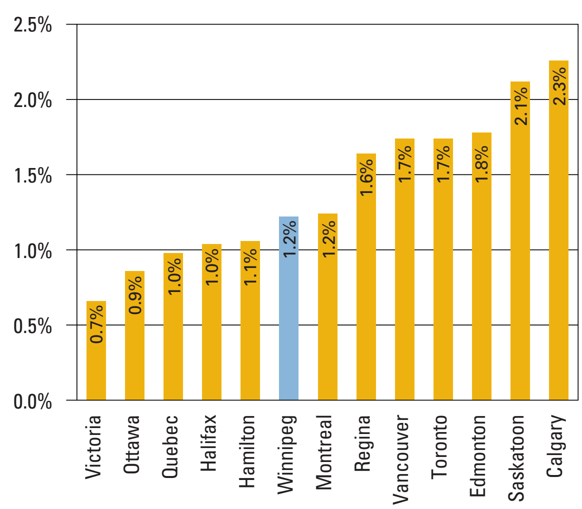
2012 TO 2031



Source: Conference Board of Canada, Winnipeg long-term forecast, 2007 Adjusted data – City of Winnipeg, June 2009

FORECASTED AVERAGE ANNUAL POPULATION

Growth Rates of Other Cities



Source: Conference Board of Canada, Metropolitan Outlook, February 2012





Migration (People Moving)

"Migration will become an increasingly important factor for population growth, and Winnipeg's ability to attract new migrants will become an important determinant of its future economic potential." – Conference Board of Canada, Winnipeg long-term forecast, 2007

Migration has been the primary factor for the increase in Winnipeg's population.

- In 1996, Winnipeg had a net loss of 4,600 people; but in 2010, Winnipeg saw a net gain of over 9,000 people.
- With the success of the Provincial Nominee Program, which began in 1999, Winnipeg's immigration has quadrupled and for 2011 over 13,000 immigrants arrived in the city.
- Winnipeg's immigration is 5th highest of Canadian cities in 2011.

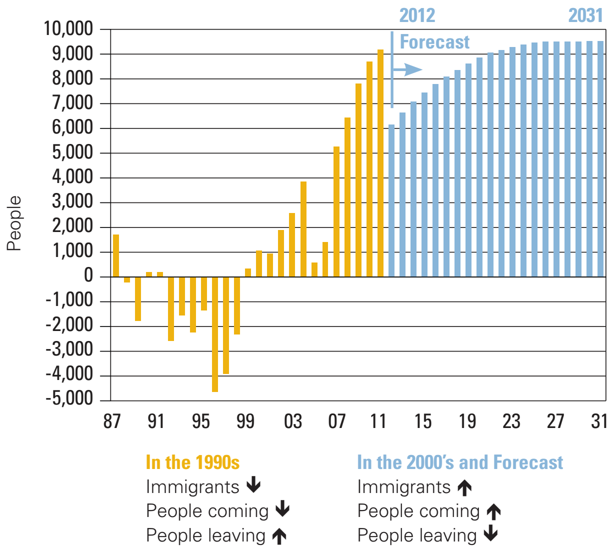
The trends in each of the three forms of migration are:

- **Intra-provincial:** The net number of people moving between the Winnipeg CMA and the rest of Manitoba has improved. In 2011 Winnipeg experienced a net gain of almost 400 people.
- **Inter-provincial:** The net number of people moving from the Winnipeg CMA to other provinces has slowed from 4,700 in 1997 to 2,800 in 2011.
- **International:** The net number of people moving between Winnipeg and other countries has increased significantly from 2,200 in 1997 to over 11,000 in 2011.

NET MIGRATION

Net number of people, Winnipeg CMA

1987 TO 2031

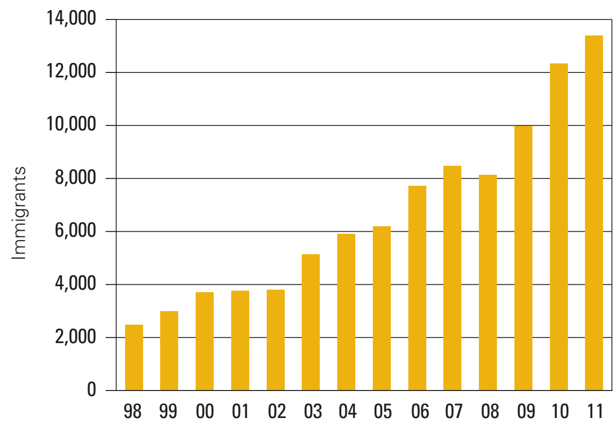


Source: CANSIM, and Conference Board of Canada, Long-term forecast, 2007

IMMIGRATION TO WINNIPEG

Number of people, Winnipeg CMA

1998 TO 2011



Source: Citizen and Immigration Canada, Facts and Figures 2011

Housing

"Multi-family housing continues to show strength, especially in the rental market which comprised 61 per cent of all multiple-family starts in 2011" CMHC – Press Release January 20, 2012

2011 continues to be strong

- In 2009, new home buyers were cautious. However, in both 2010 and 2011 the number of starts rebounded with 2011 seeing a slight increase in the number of singles – the highest total housing starts since the late 1980s.

Average New House Price (single detached)

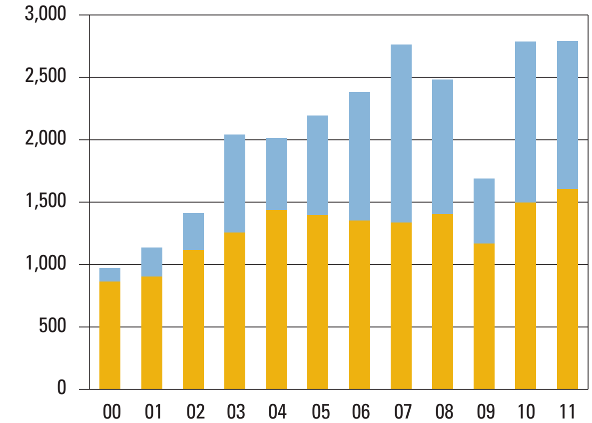
- Between 2000 and 2010 there was a 115% increase in the average price of a new house. ($175,500 to $376,600)
- CMHC forecasts the average price of a new house to rise another 8% by 2012 (to $406,000) compared to 2010.

Price increase in resale market

- Winnipeg has seen a significant increase in housing prices over the last decade.
- Between 2000 and 2011 there was a 170% increase in the average price of a resale house in Winnipeg.
- CMHC is forecasting continued price increases in the resale market; 4% in 2012 and a further 3% in 2013.

HOUSING STARTS

2000 to 2011



	00	01	02	03	04	05	06	07	08	09	10	11
Multiples	107	229	293	785	573	794	1,028	1,423	1,075	517	1,288	1,184
Singles	863	906	1,117	1,259	1,440	1,400	1,355	1,339	1,405	1,171	1,499	1,605

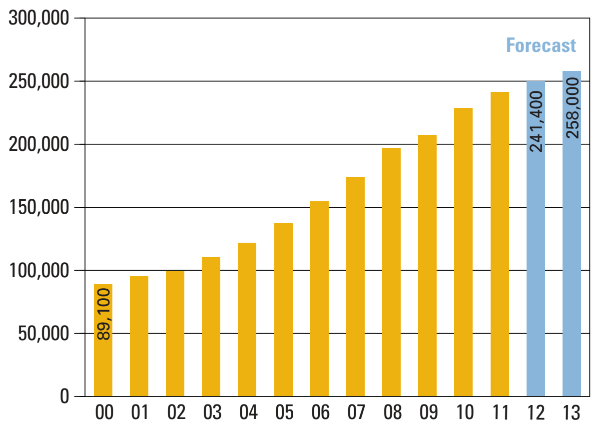
Source: CMHC – Housing Now

Although Winnipeg has experienced significant increases in the average price of a home, when compared to other larger cities across Canada, Winnipeg continues to be a city with one of the lowest housing prices in Canada.

A two-storey home in Vancouver would cost $856,000 or 185% more than the same two-storey home in Winnipeg ($300,000). In Calgary, the average cost is $415,000, which is 38% more than in Winnipeg.

AVERAGE RESALE HOUSE PRICE IN WINNIPEG

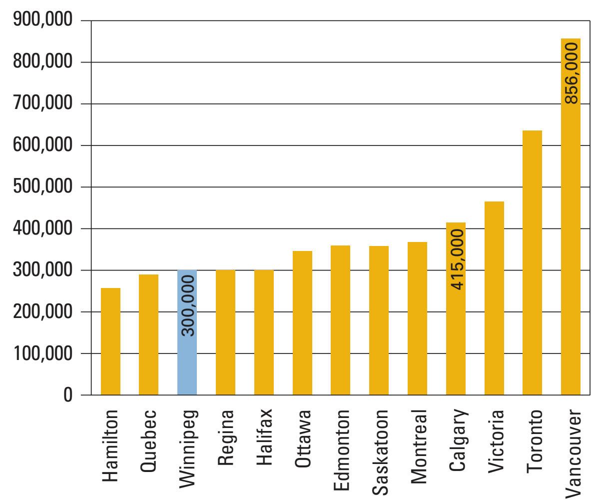
2000 to 2012



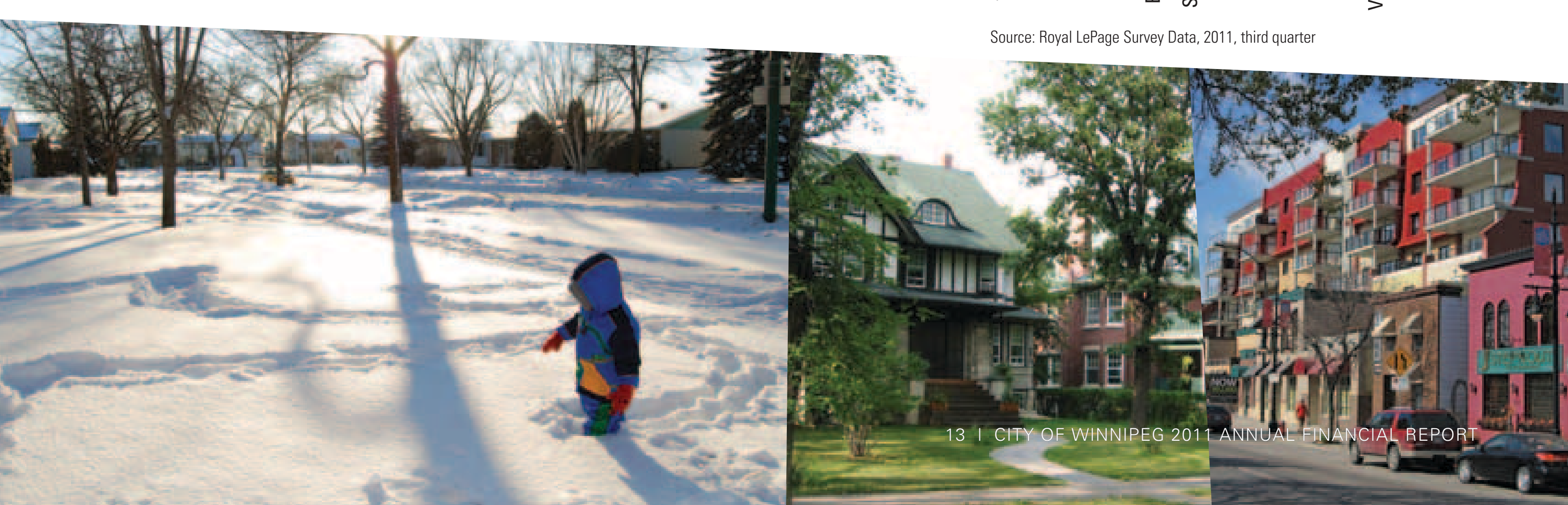
Source: CMHC, Housing Market Outlook, Feb 2012

2011 AVERAGE RESALE PRICES IN OTHER CITIES

Standard two-storey house



Source: Royal LePage Survey Data, 2011, third quarter

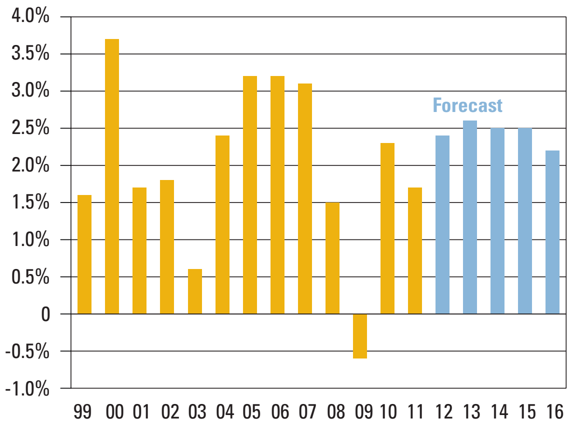


WINNIPEG'S ANNUAL ECONOMIC GROWTH

Real Gross Domestic Product, annual % change

In constant 2002 dollars

1999 TO 2016



Source: Conference Board, Metropolitan Outlook Data, February 2012

OTHER CITIES REAL GDP ANNUAL GROWTH

City	09 – 11 Average	2012 Forecast	13 – 16 Forcasted Annual Average
Victoria	0.6%	1.6%	2.3%
Vancouver	1.6%	2.5%	3.4%
Edmonton	1.4%	3.2%	3.8%
Calgary	0.5%	3.5%	4.1%
Saskatoon	2.3%	3.6%	3.4%
Regina	3.6%	2.7%	3.2%
Winnipeg	1.1%	2.4%	2.5%
Toronto	1.2%	2.3%	3.2%
Ottawa	1.1%	1.6%	2.1%
Hamilton	0.8%	1.8%	2.7%
Quebec	2.1%	1.9%	2.1%
Montreal	1.0%	1.7%	2.4%
Halifax	2.7%	2.2%	2.4%

Source: Conference Board, Metropolitan Outlook Data, February 2012

Economy

"Winnipeg's manufacturing sector is expected to post positive growth in 2012 – for the first time since 2008." – Conference Board of Canada, Metropolitan Outlook, Spring 2012

Winnipeg's economy is one of Canada's most diversified economies. Overall, our economic indicators are positive relative to other parts of Canada.

Even though Canada was in a recession in 2009, Winnipeg's economy was doing relatively well. Winnipeg's economy saw a 0.6% decline while the national economy declined by 2.8 percent.

In 2010 and 2011, Winnipeg's economy saw a cautious recovery, with manufacturing still struggling due to a high Canadian dollar and global economic uncertainty.

Of the 13 large cities listed above, Winnipeg's economic growth was about average relative to the other cities.

Over the next five years:

- Winnipeg's economy is expected to create 31,000 jobs.
- Population in the Winnipeg region is forecasted to grow by 48,000 people.
- Annual housing starts are expected to increase by about 40%.

These are strong numbers for Winnipeg.

ECONOMIC INDICATORS

				Forecasted				
Winnipeg CMA	2009	2010	2011	2012	2013	2014	2015	2016
Real GDP (2002 $ millions)	25,442	26,033	26,463	27,100	27,799	28,483	29,191	29,831
% change	-0.6%	2.3%	1.7%	2.4%	2.6%	2.5%	2.5%	2.2%
CPI % change	0.5%	0.8%	2.9%	1.6%	2.2%	2.2%	2.1%	2.2%
Retail Sales ($ millions)	9,137	9,669	10,051	10,588	11,039	11,471	11,871	12,275
% change	-0.8%	5.8%	3.9%	5.3%	4.3%	3.9%	3.5%	3.4%
Personal Income per capita	$36,084	$36,792	$37,473	$38,019	$39,128	$40,310	$41,489	$42,737
% change	-0.6%	2.0%	1.9%	1.5%	2.9%	3.0%	2.9%	3.0%
Labour Force	424,249	432,814	433,526	438,950	447,088	453,300	459,382	464,386
% change	1.2%	2.0 %	0.2%	1.3%	1.9%	1.4%	1.3%	1.1%
Employment	400,906	408,358	408,707	414,369	422,499	428,822	434,576	440,239
% change	0.0%	1.9%	0.1 %	1.4%	2.0%	1.5%	1.3%	1.3%
Unemployment Rate	5.5%	5.7%	5.7%	5.6%	5.5%	5.4%	5.4%	5.2%

Source: Conference Board, Metropolitan Outlook, February 2012 - forecast

"Continued population growth and hints that even such buoyant starts lag demographic requirements are forecast to keep housing starts rising." – Conference Board of Canada, Metropolitan Outlook, Spring 2012

VALUE OF BUILDING PERMITS (IN MILLIONS OF DOLLARS)

	2006	2007	2008	2009	2010	2011
Residential	$ 446	$ 449	$ 512	$ 414	$ 601	$ 623
Non-Residential	404	394	542	697	552	536
Total	$ 850	$ 843	$ 1,054	$ 1,111	$ 1,153	$ 1,159

Source: City of Winnipeg, Building Permit Summary.

Since 2008, Winnipeg has seen $1 billion issued annually in building permit values.

Comparing 2011 to 2010:

- Residential starts are up slightly;
- Residential permit values were up by 4%;
- The value in non-residential permits was down 3%; and
- Overall there was a 1% increase in building permit values.

2012 City Government Capital Investments - six year plan (in millions)

Sewage Disposal	$ 924
Roads and Bridges	462
Park and Community Infrastructure	173
Water System	185
Transit System	162
Solid Waste Disposal and Garbage Collection	145
Land Drainage and Flood Control	93
Public Safety Infrastructure	62
Other	124
	$ 2,330

The City Government Infrastructure Projects over the next six years total $2.3 billion, of which $393 million is for 2012.

These projects, along with other significant major new capital investments in Winnipeg and the rest of the province, require the construction industry to continue ramping up its capacity.

Labour shortages continue to exist along with upward pressures on construction wages. The result is that base construction inflation is presently in the 5% range and is expected to remain at that level for the next few years.

Cost of Doing Business

KPMG's 2012 Competitive Alternatives examines location sensitive business costs in over 110 cities. Winnipeg has the lowest business cost of cities in Western Canada and Ontario.

In fact, Winnipeg has lower business costs than most U.S. cities (68 of 71 U.S. cities examined).

"Winnipeg tops the list as the most cost-competitive city out of 25 western Canadian and Midwest U.S. cities, according to a comprehensive annual study by KPMG." – Winnipeg Free Press, March 22, 2012

Service Highlights

Infrastructure Investments

Chief Peguis Trail Extension Project

The $109-million Chief Peguis Trail Extension Project, which saw the Chief Peguis Trail extended eastward from Henderson Highway to Lagimodière Boulevard, was completed on budget and motorists were able to use the infrastructure a year ahead of schedule. Named Manitoba's best-managed project for 2012 by the Project Management Institute Manitoba Chapter it took just over a year to complete – from September 2010 until December 2011. The project was a collaborative effort by construction consortium DBF2 Limited Partnership and The City of Winnipeg who partnered to build the 3.7-kilometre stretch of roadway with two crossing structures and relieve the burden of traffic on east-west streets in northeast Winnipeg.

Disraeli Bridges Reconstruction Project

The Disraeli Bridges Project is ongoing and is Winnipeg's largest bridge project to date. At the peak of construction, the Disraeli Bridges Project will support 120 construction jobs. To address the many needs and requirements of the Disraeli Bridges Project, Plenary Roads Winnipeg GP are building two new bridge structures and associated roadworks in several stages. Construction is well underway for a new vehicular bridge over the Red River, followed by the construction of a new rail line overpass. Project accomplishments for 2011 include: roadwork from Main Street to the south end of the overpass, temporary roadwork in the Point Douglas landing area, temporary roadwork north of the river bridge to Hespeler, utility relocations, construction of the foundations and piers for the overpass and river bridge, and fabrication and erection of structural steel for the two structures. In late 2012, it is anticipated that the new vehicular bridge and overpass will be open to traffic and demolition of the old bridge and construction of an Active Transportation bridge will begin.

Consultant Services Agreement with Veolia (VWNA Winnipeg Inc.)

Following a comprehensive procurement process, the City entered into 30-year consulting agreement with Veolia on April 20, 2011. Veolia is providing advice and assistance to the City on the estimated $1.0 billion sewage treatment plant expansions and a plan to optimize sewage treatment system operations. The City retains 100 per cent ownership and control of the entire sewage system and continues to fully fund construction and operations of the sewage system. The agreement is unique in that Veolia and the City share in savings realized when performance targets are exceeded, but also share the "pain" when targets are not met. In addition, Veolia's compensation is based on the performance of the Program and remains at risk for the duration of the agreement. This innovative agreement shares risks between the two parties and is a means of making the private sector contractor more accountable for the results of their work. Veolia played a key role in restoring full function to the South End Sewage Treatment Plant following a treatment process upset in October 2011.

1 Deck repairs to the St. James Bridge

2 Rendering of the Disraeli Bridges Project to be completed in Fall 2012

3 Road construction on Logan Avenue

4 Chief Peguis Trail Extension

Fire Paramedic Station replacements

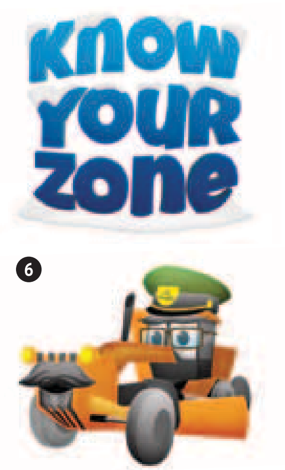
In partnership with the Canada Mortgage and Housing Corporation Municipal Infrastructure Lending Program, the Winnipeg Fire Paramedic Service undertook the replacement of three existing Fire Paramedic stations and the construction of one new station in 2011.

- The new Station 27 in Sage Creek is scheduled to open in January of 2012 and will house a fire apparatus and full-time Advanced Life Support staffed ambulance to better serve the south end of the city.
- Station 11, currently located at 200 Berry Street, is under construction at 1705 Portage Avenue and is expected to open in the winter of 2012.
- The former Station 18, located at 5000 Roblin Boulevard, was demolished and the construction of the new station is nearing completion and was scheduled to open in April 2012.
- Station 12 at the intersection of Grosvenor and Renfrew streets is being relocated to 1780 Taylor Avenue. Construction of the new station is nearing completion and scheduled to open in April 2012.

City of Winnipeg Problem Water Service Replacement Program

The City also partnered with the Canada Mortgage and Housing Corporation Municipal Infrastructure Lending Program on a $3.28 million pilot project to identify and replace over 300 residential water pipes within the City right-of-way that were prone to freezing and disrupting water service. The program allowed the City to accelerate the pipe replacement through a low interest loan. The objective of the lending program is to support residential communities through investments that create jobs, provide low cost funding to assist municipalities, and contribute to healthier, safer and modern residential communities.

5



6

Customer Service

St. Vital By-Election

On November 26, 2011, the City Clerk's Department convened by-elections for the St. Vital Ward as well as the Louis Riel and Winnipeg school divisions. For the first time in Winnipeg, the by-election was held on a Saturday, which allowed for the return to local elementary schools as voting locations, eliminating security concerns and the disruption of programming for young students. The Saturday election proved beneficial for staff recruitment, allowing access to convenient voting locations and was identified by voters as a positive step forward, allowing greater access to the democratic process.

5 Construction continued on Fire Station 27, scheduled to open in January 2012

6 'Know Your Zone' public education launched in November

Winter Parking Ban Public Education Campaign

In 2011 Winnipeg Winter Parking Bans were changed, in particular the Residential Parking Ban, to improve the effectiveness and efficiency of winter snow clearing operations. To communicate the changes, City Council approved a comprehensive public education campaign and an advertising campaign was developed and implemented. The Know Your Zone campaign featured two animated, talking snow plows, General Grader and Lieutenant Loader, who were developed to convey the parking ban messages to the public. The campaign reached citizens through television and radio commercials, outdoor advertising, the use of the Web and social media, and featured the voices of local Winnipeg personalities Laurie Mustard and Jim Ingebrigtsen.

Winnipeg Transit Enhancing the Customer Experience

With substantial completion of the Southwest Rapid Transit Corridor achieved late in 2011, Rapid Transit Service commenced operations on April 8, 2012. The corridor, approved by Council in 2008, will improve the speed and reliability of transit service by allowing transit vehicles to bypass traffic congestion.

During 2011, 30 new buses were delivered, continuing with the 2007 decision to have all future new buses purchased include air conditioning.

Thirty-three new transit shelters were placed into service during 2011.

Winnipeg Transit received a "Winnipeg Accessibility Award" from the City's Access Advisory Committee in recognition of the department's work to incorporate universal design into its fleet, stops and stations and passenger information services.

Community By-Law Enforcement Services Statistics

- With efforts to ensure residential property standards are met through inspections, customer satisfaction rates increased from 73 per cent in 2010 to 93 per cent in 2011.
- The number of vacant buildings in the city of Winnipeg declined by 29 per cent in 2011; subsequently, there was a 28 per cent decrease in the number of complaints made to 311 related to vacant buildings.
- Total number of by-law enforcement inspections went from 26,515 to 31,296 – an increase of over 18 per cent since 2009.
- Intergovernmental planning and collaboration was well underway in 2011 for the transfer of public health inspection services from the City of Winnipeg to the Province of Manitoba (April 2012).

1 Winnipeg Transit's Balmoral Station

Animal Services Agency

- The Animal Services Agency achieved a record 61,163 dog licenses in 2011. Dog licenses make up an integral part of the Animal Services operation. Licenses protect one's dog while revenues help provide the essential service of animal control in Winnipeg.
- 601 dogs wearing licenses were successfully reunited by 311 without ever having to set foot in the Animal Services' facility.
- 94 per cent of the dogs that entered Animal Services were reunited with their owner, adopted out, or sent to a rescue or animal shelter.
- Adoptions were up over 100 per cent since 2008; 505 dogs were adopted, versus 235 in 2008.
- Animal Services responded to 12,121 service requests including neighbourhood dispute resolution, after-hours emergencies, police and fire assists and stray dog, illegal and injured animal inquiries.

City cemeteries

As part of the annual tree planting program, 200 trees were planted across the three city-owned and maintained cemeteries to naturalize new interment sections and replace trees lost to Dutch Elm Disease. Flower and shrub beds were also established to enhance the grounds appearance. Brookside Cemetery established a new Infant Memorial Garden interment section. The City of Winnipeg and Veterans Affairs Canada – Remembers Division's joint funding partnership for the refurbishment of the Brookside Military Field of Honour continued with 430 Veteran interment sites receiving new foundation beams, landscaping and 91 new Military Monuments, with the remainder being cleaned and receiving a pinned installation. In 2011, 350 school children visited the Military Field of Honour to 'share the story' and show respect to Veterans during Remembrance Week. Transcona Cemetery saw the first phase of the installation of a cremation garden with flowering beds being cut, ready for the foot paths and plantings to be installed in 2012.

Planning, Environment and Sustainability

Garbage and Recycling Master Plan

In 2011, City Council approved a waste minimization strategy designed to reduce the amount of material that goes to our landfill each year by 50 per cent. The plan includes providing residents with uniform garbage collection service throughout the city and more opportunities to reduce, reuse and recycle. The new garbage and recycling services changes will begin in August 2012.

Our**Winnipeg**: adoption, implementation and ongoing citizen engagement

Our**Winnipeg** was developed through a groundbreaking public engagement initiative, engaging over 42,000 citizens and stakeholders to determine their vision of what Winnipeg might look like in the future. The plan took effect on August 17, 2011, replacing Plan Winnipeg 2020 as the official development plan guiding growth and change for the city. Our**Winnipeg** presents a 25-year vision for the entire city. It positions Winnipeg for sustainable growth, which is key to our future competitiveness. As part of the goal of demonstrating progress to Winnipeggers, innovative projects like the Fort Rouge Rail Yards Development are now being illustrated to the public through a new, online, interactive map tool called "Our**Winnipeg** in Action." This easy-to-use tool helps Winnipeggers learn about the

urban structure (Our**Winnipeg**'s map for anticipated growth) and innovative projects taking place. Our**Winnipeg** in Action was first launched in March 2011 and now features eight innovative projects. At its annual conference July 10-13 in St. John's, Newfoundland, The Canadian Institute of Planners (CIP) presented the 2011 Award for Planning Excellence to the City of Winnipeg for the Our**Winnipeg** development plan and the SpeakUpWinnipeg public engagement process.

The City is currently engaged in the first Our**Winnipeg** annual reporting process. The report will provide an update on the implementation of Our**Winnipeg** to date and will include an opportunity for Winnipeggers to continue the conversation at open houses and online at SpeakUpWinnipeg.com. City of Winnipeg staff continue to work collaboratively on the advancement of Our**Winnipeg** plan and the implementation of the Complete Communities Strategy.

Transportation Master Plan

In November, City Council approved the Transportation Master Plan, a policy framework to help guide the city's transportation needs for the next 20 years. Key elements of the plan include:

- a transportation system that is dynamically integrated with land use;
- a transportation system that supports active, accessible and healthy lifestyle options;
- a safe, efficient and equitable transportation system for people, goods and services;
- a transportation system that is financially sustainable;
- a transportation system that reduces its greenhouse gas emissions footprint and meets or surpasses climate change and emissions reduction goals set by the City and the Province.

Public and stakeholder input was key in the development of the plan. Thousands of people from numerous professions and walks of life were invited to participate in a range of consultation activities including meetings with stakeholder groups, public open houses, a web survey and input through Advisory Committee meetings.

The Transportation Master Plan will be implemented through the City's short, medium and long-range financial plans including annual budgets, the five-year capital forecast, and strategic financial plans as well as various integrated transportation and land use plans, projects, and initiatives.

Enhanced Traffic Signals Management System

In 2011 the Public Works Department continued the deployment of the enhanced traffic signals management system. This is a program that started in 2008 and that focuses on improving the movement of people, goods and services through strategic segments of important routes in the city. By the end of 2011, the system was implemented on key segments of the following streets: Lagimodière Boulevard, Main Street, St. Anne's Road, St. Mary's Road, Portage Avenue, Bishop Grandin Boulevard, Pembina Highway, McPhillips Street, Fermor Avenue, and Henderson Highway. Deploying the enhanced signal management system on these routes provides a more sustainable use of the transportation system by making more efficient use of the existing infrastructure.

Downtown Parking Strategy

On December 14, 2011, Council endorsed the Downtown Parking Strategy. The Downtown Parking Strategy provides direction, enabling strategies and actions related to Winnipeg's Downtown parking system based on a 10-year planning horizon. This strategy supports Our**Winnipeg**, the Sustainable Transportation Direction Strategy and the Downtown section of the Complete Communities Direction Strategy.

1 One of the City's five sandbaggers

Safety and Emergency Response

Spring 2011 flood

The Spring 2011 flood story began with a 'Weather Bomb' in October bringing high winds and heavy rains over much of southern Manitoba with a total accumulation of over 100 millimeters. Manitoba's watershed was overly saturated and every ditch, creek, stream and river was full. The Red River flowed 1.9 meters above normal all winter, causing open water on the Red River well into the month of February 2011. Special meetings were held early in 2011 and the first forecast was released in January, the earliest a flood forecast had been released since 1997. Based on this, The City began to prepare for a flood greater than the 1997 flood. The Water and Waste and Public Works departments worked closely to get the city and home owners ready for the provincially forecasted flood event. The departments started ordering new equipment and bringing existing equipment out of storage and working with stakeholders such as Manitoba Hydro, Manitoba Telecom Services, and the Winnipeg Regional Health Authority on the many tasks needing to be accomplished.

Much was done to prepare for a flood that in the end, did not seriously affect Winnipeg due to a perfect freeze/melt cycle in March, combined with near zero precipitation in March and April. These two key factors quickly took river levels to a manageable level in Winnipeg.

The city was well positioned to respond to a major flood and succeed. Water and Waste had accurately mapped out how the river would move through the city, built clay dikes, and informed residents. Public Works responded to the provincial flood outlook for Winnipeg by producing just over 2 million sandbags for the construction of 121 sandbag dikes to protect properties in Winnipeg that were at risk of river flooding. When the flood forecast for Winnipeg was downgraded, the City had delivered 400,000 sandbags. The remaining stock was sold to the province of Manitoba for flood-fighting efforts elsewhere. Public Works once again produced sandbags in May as requested by the province. In total, Public Works provided over 2.8 million sandbags to the province in support of flood-fighting efforts throughout the province.

Community Arson Prevention Partnership

In the summer of 2011, the Winnipeg Fire Paramedic Service recognized an increase in fire-setting trends within specific areas of the city. A joint strategy involving the Winnipeg Fire Paramedic Service (WFPS), the Winnipeg Police Service (WPS), and other city departments along with the province's Office of the Fire Commissioner was developed to address the issue. Several community meetings were held throughout the city to educate, inform and assist the public in recognizing and reporting hazards in at-risk areas.

2 AIR1, the Winnipeg Police Service helicopter

Manitoba Integrated Warrant Unit

The Manitoba Integrated Warrant Apprehension Unit was established on September 26, 2011. A partnership between the Winnipeg Police Service (WPS) and the Royal Canadian Mounted Police (RCMP), the unit focuses its efforts on those who have committed offences against other people and have been identified as being responsible for a violent crime, but have not yet been arrested for the following reasons:

- He/she is eluding investigators;
- He/she has been arrested but has not attended subsequent court appearances; or
- He/she is out on bail with court-imposed conditions and has breached those conditions.

Since its inception, the Unit is responsible for arresting 320 individuals and executing more than 500 warrants. The unit has six police officers: three from the RCMP and three from the WPS and operates three teams, each comprised of one RCMP and one WPS member.

Flight Operations Unit Completes First Year of Operations

The WPS Flight Operations Unit officially began operations on February 1, having unveiled its Eurocopter EC120B on December 6, 2010.

The Unit responded to 1,972 assigned events, of which AIR1 arrived on scene at 1,780 events. The Unit assisted with 127 arrests by officers on the ground. Since inception, the Unit has achieved 976.5 flight hours.

Partnerships, Programs and Initiatives

Oshki Annishinabe Niganniwak – The City of Winnipeg's Aboriginal Youth Strategy

The City's Aboriginal Youth Strategy has been given the spirit name Oshki Annishinabe Niganniwak – (pronounced Awsh-kay Anish-a-nob-bay nee-ga-nee-walk) by Elders in the Aboriginal community. It means "Young Aboriginal People Leading" and pays tribute to Aboriginal youth as leaders of today as well as tomorrow. The strategy focuses on partnerships with 10 community-based organizations that provide programs and supports to Aboriginal youth. The second stream of the strategy focuses on providing Aboriginal youth the opportunity to access programs and training opportunities within the public service that will enable them to build skills, gain experience, obtain employment and participate in recreation and cultural-based activities. This year, 809 Aboriginal youth participated in employment-based programs, 470 participants graduated or completed their program, 142 participants secured employment, while 86 went on to further education. In addition, 181 job-specific certificates were obtained, including General Educational Development (GED) upgrading and 20 Aboriginal youth received post-secondary scholarships. Additional accomplishments include:

- 16,711 participant visits to a supported recreation program at a community facility
- 422 Aboriginal youth involved in civic employment specific initiatives including 80 summer career camps participants, 19 interns and 24 Next Step Awards recipients
- 503 participant visits to Library's Elder-in-Residence and Princess White Dove programs
- 1,295 participants or participant visits to recreation initiatives within City facilities

Citizens' Action Network

In June, the Winnipeg Police Service, in partnership with the Community Services Department, introduced the Citizens' Action Network (CAN). The program enables non-crime related issues or problems within a community to be compiled by a volunteer community member known as a "CAN Coordinator" and forwarded to the WPS, 311, and/or Manitoba Justice's Public Safety Investigations Unit. Other agencies and organizations can then be enlisted in the efforts as required.

Turnabout Program

Provided by the Province of Manitoba in partnership with police agencies, the Turnabout Program offers a direct support and referral service to children under 12 who have been in conflict with the law or are at risk. The goals of the Turnabout Program are as follows:

- To prevent a child from having further contact with police
- Early identification of serious and persistent behavior
- To reduce the number of children under 12 coming into contact with the law

The City of Winnipeg is partnering with the Turnabout Program and will be providing free recreational programming opportunities for children and their families who have been referred to the program.

Economic Development

The Planning, Property and Development Department has provided support to significant development projects such as Investors Group Field, the Canadian Museum for Human Rights, the Maple Leaf Foods expansion, the Metropolitan Theatre redevelopment, the redevelopment of the Union Bank Tower, the Red River College Culinary Arts Expansion (Paterson Global Foods Institute) and continues to work in partnership with the Province of Manitoba and the Rural Municipality of Rosser to advance servicing requirements for the CenterPoint project. In addition, CentreVenture,– the City's Downtown development agency has worked in close partnership with the city to advance a number of new downtown initiatives including the Portage Avenue Development Strategy, the Avenue Building, CentrePoint and the Downtown Residential Development Grant (DRDG) Program.

The Portage Avenue Development Strategy provides a focus for downtown development, encourages greater development density and supports a concentrated retail, commercial, residential and entertainment mix. The centrepiece of the Portage Avenue Development Strategy is the creation of a Sports, Hospitality and Entertainment District that builds on the success of the MTS Centre as a major downtown destination for public gatherings, shopping, dining and general entertainment.

Library Services Programs and initiatives

E-books at the Library!

This year, e-book circulation in the City's public libraries topped 116,000 items, a 120 per cent increase over 2010.

1 Summer Reading Program

Expanded Library Hours

The hours of operation at the Millennium Library were expanded this year providing the public with longer access to the resources available. As the busiest library in the city, the Millennium Library is now open earlier in the mornings for the downtown business community and later on Fridays and Saturdays for students and after-work users.

Summer reading program

The TD Summer Reading Program and its 'Splash' theme reached over 5,800 children throughout the city, a 23 per cent increase over the previous year. Every summer, kids get the chance to improve their reading skills and reduce summer learning loss while having fun. A highlight of the annual event is a visit by Winnipeg Goldeyes baseball players who read stories and share with kids the fun and importance of reading.

Free Program Room Bookings

In December, the Library began to make its various multipurpose meeting rooms available free of charge to non-profit community groups. This new service is drawing in new library users and providing a valuable community service to community groups in need of space for programs, meetings and other events.

Battery Recycling Program

In October, Library services, in partnership with the Water and Waste Department, and the Call2Recycle program of the Rechargeable Battery Recycling Corporation, became a new community partner and depot for the public to drop off their old batteries and cell phones. Since its inception, over a half ton of batteries has been collected and diverted away from landfills.

Library publishes English as an Additional Language Book

This year, the library helped publish a new book, "The Past is Another Country" that celebrates the stories of 12 new Canadians. All writers were part of the Finding Your Voice creative writing program at the Millennium Library. The book includes questions and activities making it a unique and valuable resource for teachers and students of the English as an Additional Language Program.

Business Improvement Zones Streetscape Enhancement

This year, the North End and St. James Village Biz Streetscape Conceptual Master Plans were completed, the West End Biz International Village Gateway feature was completed and the Transcona BIZ Streetscape Enhancement including new pedestrian lighting, a centre median flag, and an archway welcoming visitors to Downtown Transcona was completed.

Expansion of the Main Street Project

Following a successful pilot project at the Main Street Project (MSP), during which a paramedic was assigned to help staff the MSP to minimize adverse outcomes for these at-risk clients, the Winnipeg Fire Paramedic Service has partnered with the Winnipeg Regional Health Authority to expand the program to full-time, 24 hours a day, 7 days a week. Additional paramedics were trained and began staffing the MSP in the fall. The program has been so well received that the WRHA and the WFPS are exploring opportunities to expand the scope of practice and this unique community paramedic program to better serve the needs of its clients.

1 West End Library Learning Program

2 New archway into Downtown Transcona

WPS Maintains CALEA Accreditation

In July, the Winnipeg Police Service received its fifth re-accreditation by the Commission on Accreditation for Law Enforcement Agencies (CALEA). Every three years, the Police Service goes through a re-accreditation on-site assessment to show they are in compliance with the high standards CALEA has established for law enforcement agencies. Comprised of law enforcement practitioners from similar, but out-of-province agencies, the CALEA assessment team was in Winnipeg from May 1 to 3 to review policy and practices in relation to internationally-accepted standards. They also interviewed some WPS members, met with outside agencies and individuals and solicited feedback from the community.

Recreation and Leisure

New enhanced Recreation, Leisure and Library Facilities

Winakwa Community Centre

The Winakwa Redevelopment project began in the year 2000 and resulted in two rinks, a parking lot, a players' box/storage building, an LED display sign, an outdoor basketball court, portable skate board park and landscaping enhancements. In 2009, funding became available for a gymnasium expansion which is expected to be completed in 2013.

Southdale Community Centre

The expansion of the Southdale Community Centre will include an approximate 9,360 square foot addition with a gymnasium, storage rooms, kitchen, change rooms, washrooms, office and a second arena addition at a cost of approximately $9 million. The project is expected to be completed June 2012.

Linden Woods Community Centre

The $2.9 million expansion project was made possible as a result of funding from the three levels of government. Some features of the new gymnasium include full and half courts marked for basketball and volleyball and markings for three badminton courts. The hardwood floor provides a friendlier surface for bodies young and old to play on and has a bleacher capacity of 174.

Sturgeon Heights Community Centre

The Sturgeon Heights Community Centre project involves the amalgamation of the existing Sturgeon Creek Community Centre and the Silver Heights Community Centre at one location. The scope of the project includes a new facility of approximately 15,000 square feet in size complete with a regulation size gymnasium, office, canteen, central kitchen, dressing rooms, a skate change room with rink viewing area, gym equipment storage and garage. Funding for the project is $5.5 million.

Sinclair Park Community Centre

The $4.7 million project was made possible as a result of funding from the Government of Canada, the Province of Manitoba and the City of Winnipeg. Following Leadership in Energy and Environmental Design (LEED) practices, the new facility incorporates an existing steel frame structure into a new design that features a regulation-size gymnasium, large multi-purpose room, new change rooms, commercial kitchen, fully renovated basement and new parking lot complete with priority car pool and electric car stalls.

3 Linden Woods Community Centre
4 Sinclair Park Community Centre
5 Central Park spray pad
6 Sturgeon Heights Community Centre

Central Park Renewal

Through a collaborative partnership between the public and private sectors and a $5.6-million investment, Central Park has been transformed into a year-round, world-class playground for all ages and cultures. Park features include the restoration of the historic Waddell Fountain, a new wading pool and new spray pad, a new Park Pavilion building, an open field using artificial turf, sand and water play area, a slide hill and new public artwork.

River East Spray Pad

The new spray pad at 1400 Rothesay opened in 2011. The $550,000 project was jointly funded by the City and the Province of Manitoba. The new spray pad offers an enhanced water play experience with 16 above-ground spray features and 5 in-ground spray features. Other facility enhancements include pathways, fencing, site furnishings and accessible picnic tables.

Play Equipment Replacement

There were 40 playgrounds renewed in the City of Winnipeg this year. The replacement of play equipment, fall safety surfacing, trees, signage, pathways, benches and picnic tables were considered at various locations. Eight of the sites were jointly funded with the Province of Manitoba through the Building Communities Initiative. Tyndall Park School and Community Centre had incredible neighbourhood support in securing almost all of their playground revitalization funds through various grants. A special mention is warranted for Montrose Park where the local children worked very closely with a City landscape architect to design the playground layout and select the creative play equipment for the site. In addition, renovations were made to the soccer pitch at St. Vital Park, including drainage, irrigation and sodding. The Living Prairie Museum also received a new playground that features natural play areas and complements its natural setting.

Increased Opportunities in Recreation

With funding support from the Province of Manitoba, the City of Winnipeg enhanced the following initiatives:

SPIN – Sports in Inner-city Neighbourhoods Program

Over 1,200 inner-city children participated in the Sports in Inner-city Neighbourhoods (SPIN) program for free this year, a 71 per cent increase in participation since its inception in 2008. SPIN provides inner-city children aged 6-14 with free access to sports opportunities–offering them a fun way to learn basic skill development, sportsmanship, teamwork, leadership, and fair play in a friendly, supportive environment.

Youth Mentorship Program

1,538 youth from Children of the Earth, St. John's, RB Russell and Daniel McIntyre high schools participated in an Inner-city Youth Mentorship Program in 2011, an increase from 105 participants in 2009. Youth were mentored by University of Manitoba students in Recreation Studies and Kinesiology to learn how to plan and deliver an after-school, drop-in program for early year students in an inner-city school or recreation centre. Twenty-eight mentored students now work for The City of Winnipeg or other community employers.

LiveSAFE in Winnipeg Enhanced Recreation Programming

Under the umbrella of the City Council-approved LiveSAFE in Winnipeg: an Interconnected Crime Prevention Strategy, inner-city programming was increased by 10,797 hours at various recreation centres including Turtle Island Recreation Centre, Magnus Eliason Recreation Centre, Mayfair Recreation Centre, Broadway Neighbourhood Centre, Norquay Community Centre and Pritchard Park. More than 51,100 children and youth participated in the programs and 33 recreation leaders from the inner-city were hired to deliver the programs

Community Art Program

Over 11,900 inner-city children and youth participated in the Community Art Program. In partnership with Art City and Graffiti Art, free creative programming was offered at the Immigrant and Refugee Community of Manitoba (IRCOM), Magnus Eliason Recreation Centre, Orioles Community Centre, Broadway Community Centre, Turtle Island Neighbourhood Centre, Norquay Community Centre, Ralph Brown Community Centre and Pritchard Park. Twenty-six recreation leaders were hired from the community to deliver the program. The Youth Mentorship, LifeSAFE and Community Art programs were augmented through the $500,000 Provincial Funding for Enhanced Recreation Programs for the Inner-City of Winnipeg.

Priceless Fun!

In 2011, the first Priceless Fun guide was created and distributed throughout Winnipeg. This brochure outlines all free City of Winnipeg recreation and library programs that citizens can take advantage of. Priceless Fun is published three times per year: Spring/Summer, Fall and Winter.

1 Living Prairie Museum Nature Playground

2 Library Youth Advisory Council

Consolidated Financial Statements

Report from the Chief Financial Officer
Financial Statement Discussion and Analysis

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

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

Funds, Entities, and Investment in Government Businesses

Funds

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

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

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

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

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

Entities and Investment in Government Businesses

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

Results of Operations

Actual Comparison

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2011, on a comparative basis. The Statements indicate the City increased its accumulated surplus during the year because annual revenues exceeded expenses.

During 2011, the City recorded consolidated revenues of $1.469 billion (2010 – $1.354 billion), which included government transfers and developer contributions-in-kind that related to the acquisition of tangible capital assets. Consolidated expenses totalled $1.273 billion (2010 – $1.185 billion). As a result, the City's accumulated surplus increased by $0.196 billion (2010 – $0.169 billion).

CONSOLIDATED REVENUES

For the years ended December 31 (in thousands of dollars)		**2011**			2010			Variance
Taxation	**$**	**563,779**	39%	$	550,994	41%	$	12,785
Sales of services and regulatory fees		**460,452**	31%		425,164	31%		35,288
Government transfers								
Operating		**159,475**	11%		144,910	11%		14,565
Capital		**138,611**	9%		106,976	8%		31,635
Investment, land sales and other revenues		**88,718**	6%		82,683	6%		6,035
Developer contributions-in-kind		**58,575**	4%		43,129	3%		15,446
	$	**1,469,610**		$	1,353,856		$	115,754

Revenues improved in 2011 from 2010 by $115.8 million due to several factors. One of the major reasons for the improvement was government transfers related to the acquisition of tangible capital assets. In 2011, PPP Canada provided $22.2 million towards the Chief Peguis Trail Extension project and the Province of Manitoba (the "Province") increased their funding by $17.7 million for road improvements. Meanwhile, the Public Transit Reserve Fund reported $8.5 million less revenue because program funding ended in 2010.

Operating government transfers rose in 2011 because of funding received from the Province for the reimbursement of spring flood costs, the sump pump and backwater valve program, the Main Street Project and 17 additional police officers.

Sales of services and regulatory fees rose due to an increase of various revenue sources as follows: $11.5 million in water and sewer sales as a result of both increased consumption and rates; $5.7 million as a consequence of the sale of sand bags to the Province for the flood; $4.0 million in transit fare revenue due to a 5% increase in the number of revenue-generating passengers and regular cash fares increasing by five cents; and $1.2 million in ambulance services due to increased rates and call volumes.

CONSOLIDATED EXPENSES

For the years ended December 31 (in thousands of dollars)		2011			2010			Variance
Protection and community services	**$**	**388,089**	30%	$	390,421	33%	$	(2,332)
Utility operations		**334,154**	26%		301,637	25%		32,517
Public works		**287,847**	23%		264,543	22%		23,304
Property and development		**103,436**	8%		101,588	9%		1,848
Finance and administration		**70,404**	6%		66,405	6%		3,999
Civic corporations		**47,257**	4%		31,532	3%		15,725
General government		**42,047**	3%		28,512	2%		13,535
	$	**1,273,234**		$	1,184,638		$	88,596

Consolidated expenses grew by $88.6 million or seven percent from the previous year. The protection and community services expense category includes the Police Service, Fire Paramedic Service, Community Services and Museums. The Police Service and Fire Paramedic Service departments reported additional salaries and employee benefits of $16.0 million over the previous year. Effective January 1, 2011, insect control services were transferred to the Public Works Department from the Community Services Department. This transfer impacted Community Services' expenses favourably by $5.3 million. The third major factor was the result of the consolidation of the Assiniboine Park Conservancy Inc. ("APC") effective January 1, 2011. While $11.0 million in grants were reported in this expense category in the 2010 Statements, with consolidation, APC's expenses are reported under civic corporations in 2011. As a result, protection and community services expenses decreased $2.3 million year-over-year.

Expenses for utility operations rose by $32.5 million, which can be mainly attributed to the Sewage Disposal System – $17.2 million and the Transit System – $9.8 million. The Sewage Disposal System experienced increased costs as a result of the sump pump and backwater valve program, studies for the future sewage treatment facilities' improvements and an increased amount of maintenance work performed on the City's sewer systems in 2011. The Transit System's salaries and benefits increased $1.7 million as a result of negotiated pay increases and expansion of services. Interest on debt climbed by $0.9 million because of $29.8 million borrowed for the Southwest Rapid Transit Corridor during 2011. In addition, increases were noted in fuel costs of $3.9 million, bus parts of $1.1 million and amortization of tangible capital assets of $2.6 million.

Public works incurred additional costs as a result of the spring flood and snow clearing activities.

As noted earlier, civic corporations' costs increased as a result of APC being consolidated in the City's Statements. General government expenses increased primarily from employee benefits such as workers' compensation.

CONSOLIDATED EXPENSES BY OBJECT

For the years ended December 31 (in thousands of dollars)		2011			2010			Variance
Salaries and benefit (Leave)	**$**	**664,221**	52%	$	623,232	53%	$	40,989
Goods and services		**357,008**	28%		324,119	27%		32,889
Amortization		**175,765**	14%		165,857	14%		9,908
Interest		**43,954**	3%		46,233	4%		(2,279)
Other expenses		**32,286**	3%		25,197	2%		7,089
	$	**1,273,234**		$	1,184,638		$	88,596

Salaries and benefit increases resulted primarily from a greater number of police officers added to the service and negotiated pay increases. Goods and services expense increased for various reasons including flood control and mitigation, fuel costs and capital asset maintenance.

Budget Comparison

The Statements include a consolidated budget, which provides for additional transparency and accountability.

CONSOLIDATED REVENUES

For the years ended December 31 (in thousands of dollars)	Budget 2011		Actual 2011		Variance
Taxation	**$ 563,807**	41%	$ 563,779	39%	$ (28)
Sales of services and regulatory fees	**441,251**	32%	460,452	31%	19,201
Government transfers					
Operating	**148,529**	11%	159,475	11%	10,946
Capital	**116,736**	8%	138,611	9%	21,875
Investment, land sales and other revenues	**70,606**	5%	88,718	6%	18,112
Developer contributions-in-kind	**41,032**	3%	58,575	4%	17,543
	$ 1,381,961		$ 1,469,610		$ 87,649

The 2011 revenue from the sales of services and regulatory fees is over budget mainly because of sand bags produced and sold to the Province as well as increased permit revenues due to robust construction activity.

The transfers from the senior levels of government were over budget primarily as a result of the early opening of the Chief Peguis Trail Extension providing for the government transfer from PPP Canada. As well, the City received additional operating government transfers for unanticipated flood costs.

The positive budget variance for investment, land sales and other revenues can be attributed to prospectively consolidating APC into the Statements and the contribution of $7.9 million in capital improvement funding to recreation facilities. These positive variances were partially offset by fewer land sales concluding than expected.

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

CONSOLIDATED EXPENSES

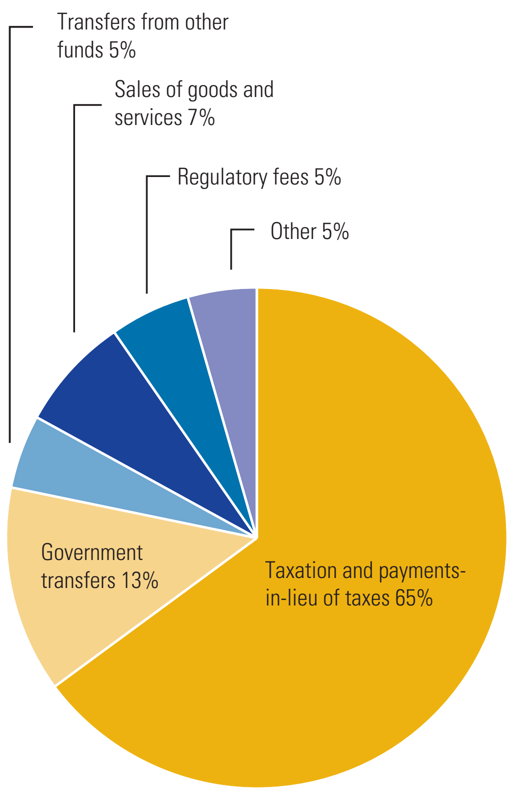
For the years ended December 31 (in thousands of dollars)	Budget 2011		Actual 2011		Variance
Protection and community services	**$ 395,642**	31%	$ 388,089	30%	$ 7,553
Utility operations	**329,604**	26%	334,154	26%	(4,550)
Public works	**272,373**	21%	287,847	23%	(15,474)
Property and development	**112,489**	9%	103,436	8%	9,053
Finance and administration	**73,646**	6%	70,404	6%	3,242
Civic corporations	**44,949**	4%	47,257	4%	(2,308)
General government	**36,955**	3%	42,047	3%	(5,092)
	$ 1,265,658		$ 1,273,234		$ (7,576)

As previously indicated, the public works expense category, which includes the Public Works Department and the land drainage operations of the Water and Waste Department, was over budget mainly because of costs associated with the flood and snow clearing operations.

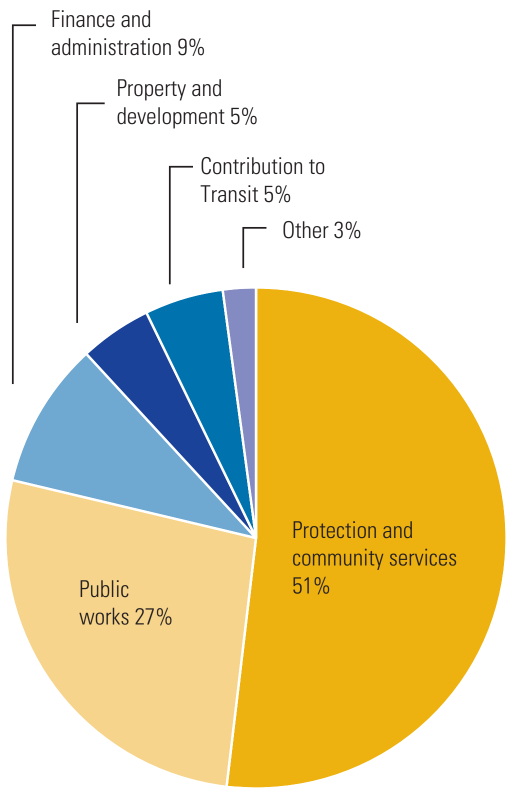
General Revenue Fund

The General Revenue Fund (commonly referred to as the tax-supported fund) represents approximately 38% of the City's combined expenses. The 2011 budget for tax-supported operations was adopted by City Council on March 22, 2011. This budget includes no increase in property taxes for the fourteenth consecutive year. As well, the budget includes an enhanced small business tax credit program of $3.5 million to eliminate the business tax for the smallest businesses (38% of all businesses). The budget focused on public safety and other strategic investments.

GENERAL REVENUE FUND
2011 ACTUAL REVENUES



GENERAL REVENUE FUND
2011 ACTUAL EXPENSES



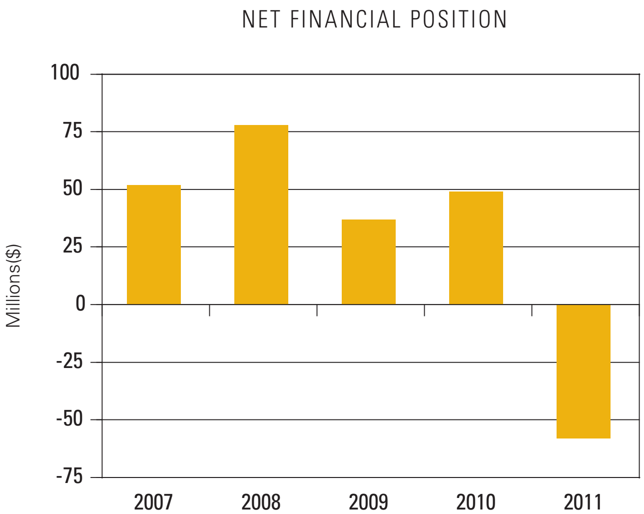
During 2011, the General Revenue Fund incurred revenues and expenses of $875.6 million (2010 – $813.1 million). Several unexpected events occurred that impacted the financial results of the tax-supported operations, including: increased permit revenues; a higher than expected transfer from the Municipal Accommodations Fund; additional funding from the Province of Manitoba for police officers and the spring flood; and higher investment and tax arrears interest revenues. This was offset by spring flood costs, lower traffic enforcement revenues and higher snow clearing costs. The end result was a transfer of $9.7 million to the General Purpose Reserve Fund, as approved by City Council on December 14, 2011.

Financial Position

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2011, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments. The Consolidated Statement of Financial Position highlights four key indicators that describe the City's financial position at the financial statement date. These indicators are: cash resources; net financial position; non-financial assets; and accumulated surplus.

Cash and Cash Equivalents

The cash resources of the City are its cash and cash equivalents. Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. During 2011, the City's cash increased by $15.2 million. This increase resulted primarily from cash generated through operations and financing activities exceeding the cash invested in tangible capital assets.



Net Financial Position

Net financial position is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2011, the City was in a net financial liability position of $55.2 million (2010 – $48.6 million net financial asset position). The change in net financial position during the year resulted primarily from the assumption of debt for the investment in tangible capital assets.

Non-Financial Assets

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

The acquisition of tangible capital assets is the result of a capital budget plan. The challenge in creating a capital budget is balancing infrastructure needs and protecting the environment while ensuring fiscal responsibility. On February 22, 2011, City Council adopted the 2011 annual capital budget and the 2012 to 2016 five-year forecast. The capital budget focuses on investment in priority streets and bridges, sewer systems, and community infrastructure and amenities. The six-year plan authorizes over $2.2 billion in City capital projects, with $370.1 million earmarked in 2011. Some of the projects included in the 2011 capital budget are: total street projects of $111.5 million, including $42.9 million – regional and local streets renewal, $34.2 million – Chief Peguis Trail Extension (Henderson Highway to Lagimodiere Blvd.), and $10.1 million – Osborne Street Bridge; $99.4 million – police headquarters; $18.4 million – transit buses; and $9.6 million – redevelopment of Assiniboine Park through APC.

Also included in the capital investment plan over the six-year period is anticipated funding of $243.3 million under the Federal Gas Tax Agreement, $150.0 million from provincial funding for road improvements, $98.9 million under the Manitoba/Winnipeg Infrastructure Program and $435.0 million of cash funding.

During 2011, the City spent $486.3 million on tangible capital assets (2010 – $333.9 million), which included $284.2 million for tax-supported projects (58%). Spending on tax-supported projects was primarily on roads and bridges.

In December 2011, the Chief Peguis Trail Extension opened one year ahead of schedule. Costs incurred as at December 31, 2011 of $97.5 million were capitalized for commissioned work under a service concession arrangement.

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

Roads and underground networks contributed to the City totalled $58.6 million (2010 – $43.1 million), and were capitalized at their fair value at the time of receipt. Interest costs of $2.6 million (2010 – $3.5 million) have also been capitalized.

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

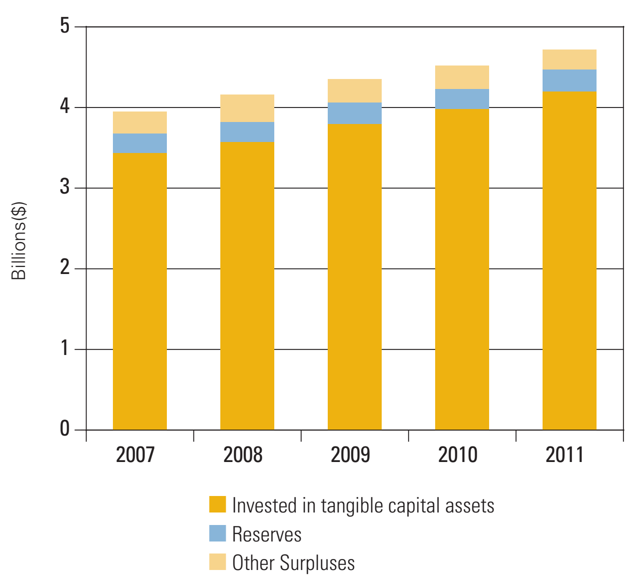
TANGIBLE CAPITAL ASSETS

As at December 31 (in thousands of dollars)	2011	2010
General		
Land	$ 202,897	$ 191,940
Buildings	318,846	303,015
Vehicles	178,251	172,305
Computer	40,754	46,987
Other	120,934	94,236
Infrastructure		
Plants and facilities	598,277	600,589
Roads	987,930	859,372
Underground and other networks	1,815,433	1,764,978
Bridges and other structures	384,570	304,247
	4,647,892	4,337,669
Assets under construction	99,903	110,326
	$ 4,747,795	$ 4,447,995

TANGIBLE CAPITAL ASSETS BY FUND

As at December 31 (in thousands of dollars)	2011		2010	
General Capital Fund	$ 2,653,033	56%	$ 2,474,503	56%
Waterworks System Fund	860,975	18%	852,345	19%
Sewage Disposal System Fund	814,124	17%	797,013	18%
Transit System Fund	270,709	6%	216,871	5%
Other Funds and Entities	148,954	3%	107,263	2%
	$ 4,747,795		$ 4,447,995	

ACCUMULATED SURPLUS



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).

Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and legal liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2011 – 89%; 2010 – 88%). The investment in tangible capital assets represents the unamortized cost of the tangible capital asset which will be reported as an expense in future accounting periods, except for land. Land is non-depreciable property due to its infinite life. Investment in tangible capital assets is not readily accessible for use in funding obligations.

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

Accounts Receivable

The largest component of accounts receivable is trade accounts and other receivables at 53% (2010 – 52%). Approximately 42% of trade accounts and other receivables results from services rendered in the Waterworks System and Sewage Disposal System. Management has determined credit risk to be low on the outstanding receivables in these two Funds and has provided an allowance for doubtful accounts of $404 thousand (2010 – $418 thousand).

As at December 31, 2011, property, payments-in-lieu and business tax receivables, net of the estimated allowance for uncollectible amounts, represented 16% (2010 – 14%) of total receivables. Taxation revenue is 39% (2010 – 41%) of total consolidated revenues.

TAXES RECEIVABLE

As at December 31 (in thousands of dollars)	**2011**	2010	2009	2008	2007
Taxes receivable	**$ 34,747**	$ 34,387	$ 30,036	$ 29,893	$ 38,038
Allowance for tax arrears	**(2,629)**	(3,080)	(3,784)	(3,657)	(6,228)
	$ 32,118	$ 31,307	$ 26,252	$ 26,236	$ 31,810

INVESTMENTS

As at December 31 (in thousands of dollars)	**2011**	2010
Marketable securities		
Government of Canada	**$ –**	$ 6,494
Provincial	**6,680**	9,891
Municipal	**61,475**	36,775
	68,155	53,160
Manitoba Hydro long-term receivable	**220,238**	220,238
Other	**4,102**	2,918
	$ 292,495	$ 276,316
Market value of marketable securities	**$ 72,927**	$ 55,101

In 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale includes payments of $20 million per annum for 2010 and $16 million annually thereafter in perpetuity. The accounting value of the investment is based on the discounted sum of future cash flows that have been guaranteed by the Province. The long-term receivable has been fixed at the December 31, 2010 value, which coincides with the payments remaining at $16 million to perpetuity.

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

DEBT

As at December 31 (in thousands of dollars)	2011	2010
Sinking fund debentures	**$ 563,000**	$ 513,000
Equity in sinking funds	**(242,528)**	(218,687)
	320,472	294,313
Serial and installment debt	**78,332**	99,004
Province of Manitoba and other loans	**83,108**	74,647
Capital lease obligations	**26,488**	28,438
Service concession arrangement obligation	**50,000**	–
	$ 558,400	$ 496,402

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

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

During 2011, the City issued a $50.0 million sinking fund debenture. The debt carries a 4.3% interest rate and will mature on November 15, 2051.

DEBT RETIRED OVER THE NEXT FIVE YEARS

As at December 31 (in thousands of dollars)	2012	2013	2014	2015	2016	Thereafter
Sinking fund debentures	$ –	$ 90,000	$ 85,000	$ 88,000	$ –	$ 300,000
Other debt	49,106	34,917	21,097	14,074	14,319	104,415
	$ 49,106	$ 124,917	$ 106,097	$ 102,074	$ 14,319	$ 404,415

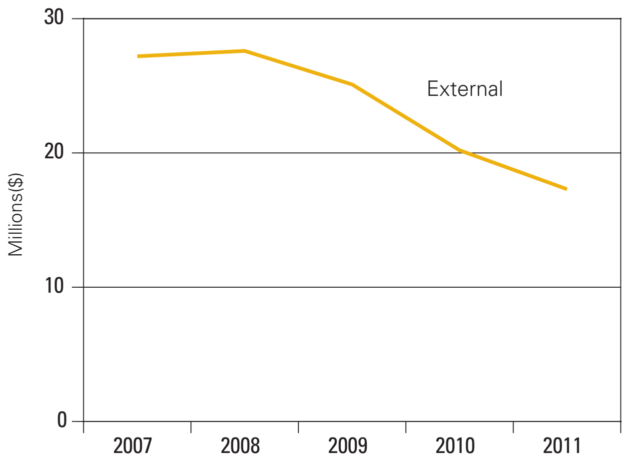
The City has also incurred serial and installment debt having varying maturities up to 2019, and carrying a weighted average interest rate of 4.8% (2010 – 4.8%). Annual interest and principal payments are made on the debt to the investors. In addition, the City has guaranteed the payment of principal and interest on capital loans totalling $6.9 million (2010 – $5.4 million) for several third parties. The City does not anticipate incurring future payments relating to these guarantees.

Included in the Province of Manitoba and other loans category is debt outstanding to the Canada Mortgage and Housing Corporation ("CMHC"). As at December 31, 2011, the amount outstanding to CMHC was $12.8 million, which is comprised of two debt issues. The first loan agreement - $9.7 million, has a maturity date of February 1, 2026 and an interest rate of 3.7%. This loan is for the replacement or building of new fire paramedic stations at four locations throughout the city. The second loan agreement - $3.1 million, has a maturity date of October 1, 2025, an interest rate of 3.4% and is for the replacement of water lines that have a history of freezing during the cold winter months and that are failing due to age and material.

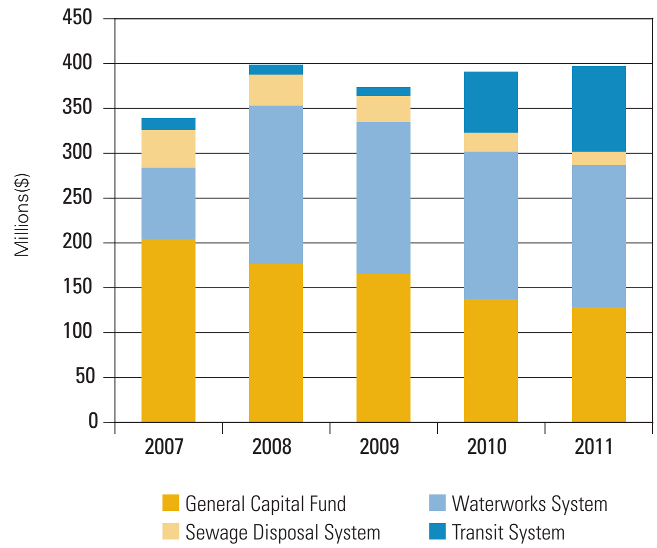
Early in 2012, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was attributed to "healthy budgetary performances, robust liquidity levels, and a stable economy." However, S&P noted these strengths are offset somewhat by substantial infrastructure renewal requirements, and forecasted increase in debt levels resulting from Winnipeg's capital plan. Moody's Investors Service also announced it would be maintaining the City's credit rating at Aa1.

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

GENERAL CAPITAL FUND
(TAX-SUPPORTED) INTEREST EXPENSE



NET SINKING FUND DEBENTURES,
SERIAL AND INSTALLMENT DEBT



In addition, the 2005 to 2012 capital budgets for the utilities and their 2013 to 2017 capital forecasts anticipate $645.2 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 Water Pollution Control Centers. The Licences place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan. With this direction, a wastewater upgrade program is underway, which will address nutrient control, combined sewer overflow mitigation and biosolids management. Based on preliminary assessments, the upgrade program is estimated to cost between $1.2 to $1.8 billion depending on market factors and interpretation of compliance requirements.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve, (which had a balance of $45.5 million at December 31, 2011), the Canada Strategic Infrastructure Fund ("CSIF") and accumulated surplus.

The Disraeli Bridges and Chief Peguis Trail Extension are major infrastructure projects that are being constructed using a design, build, finance and maintain model ("DBFM"). DBF2 Limited Partnership was chosen as the preferred proponent to design, build, finance and maintain the Chief Peguis Trail Extension, which was opened for use December 2, 2011, approximately one year ahead of schedule. The service concession asset and debt have been recognized in the 2011 Statements.

Key features of the project include:

- A grade separation at Rothesay;
- Active transportation pathways including a separate new active transportation bridge at Gateway; and
- Significant investment in sound attenuation and landscaping.

A final Value for Money ("VFM") assessment of the project was completed by Deloitte. A VFM assessment is a comparison of the costs of delivering an infrastructure project under a service concession arrangement as opposed to a "traditional" procurement method such as design, bid, build. It is designed to quantify the best overall value solution to the taxpayer. Staff from the City, with in-depth knowledge concerning these types of projects, provide the input necessary to quantify the risks associated with the various project delivery methodologies. Throughout the process, there are checkpoints to quantify the VFM to ensure that the proposed arrangement remains beneficial to the City. The results of the final VFM demonstrated that the DBFM approach provided the City with estimated savings of approximately $31 million against the traditional form of infrastructure procurement, a 17.6% saving.

As mentioned earlier, one of the benefits of pursuing the DBFM approach was that PPP Canada could participate in the project. Considering the government transfer from that organization along with the other financing on the project, the effective interest rate on the project as a whole was 4.6%.

Plenary Roads Winnipeg GP ("PRW") was chosen as the preferred proponent to deliver a replacement facility to the Disraeli Bridges. Under a 30-year agreement, PRW is responsible to design, build, finance and maintain the new facility. Under the agreement, the City will make a one-time commissioning payment of $75.0 million when the new bridges are put into service. In addition, the City will make capital and maintenance payments. These payments will be fixed at $9.8 million annually for capital and $1.6 million annually with an annual adjustment based on the Consumer Price Index for maintenance. Since PRW bears the construction risk, the initial recognition of the service concession asset and liability will be when the asset is placed into use, which is anticipated to be in late 2012.

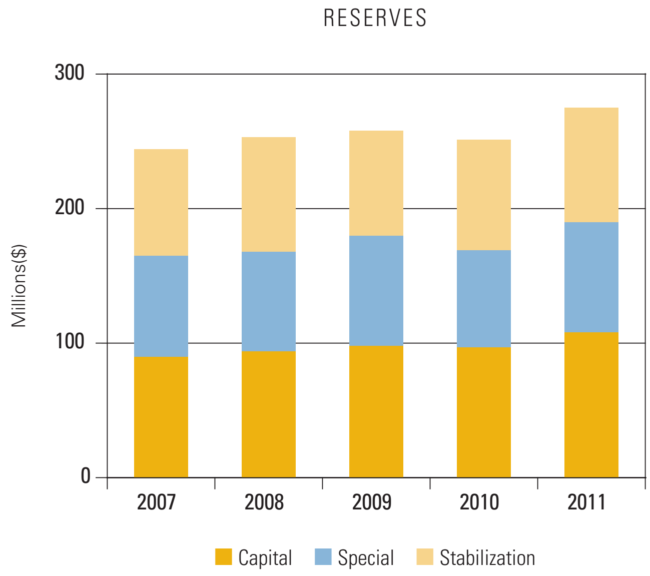
Key features of the project include:

- During construction, traffic will not be interrupted at peak travel times;
- The existing bridges will be replaced by new structures;
- The roadway will be realigned, and exits and entrances redesigned to allow for smoother traffic and pedestrian flow; and
- A separate new active transportation bridge will be built utilizing the existing facility's river bridge piers.

Some of the benefits of a DBFM delivery model for these two projects are the following:

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

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



Reserves

Reserve balances have increased overall by $24.1 million (2010 – $7.7 million decrease) from the prior year. The City's Special Purpose Reserves, Capital Reserves and the Stabilization Reserve balances increased by $10.0 million, $10.4 million and $3.7 million, respectively.

On September 28, 2011, City Council approved that the Fiscal Stabilization and Mill Rate Stabilization Reserves be combined and renamed the Financial Stabilization Reserve and that some of the regulations of the new Reserve be amended from the former Reserves. One of the significant amendments was the target level, which was revised downward from 10% to 8%. This revision brought the target level in line with some other major Western Canadian Cities.

The Stabilization Reserve's accumulated surplus is $17.5 million over its targeted level of 8% of the General Revenue Fund's adopted budget expenses.

Financial Indicators

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

INDICATORS OF FINANCIAL CONDITION

As at December 31	**2011**	2010	2009	2008	2007
Sustainability indicators					
Assets-to-liabilities	**5.62**	6.00	6.05	5.88	5.89
Financial assets-to-liabilities	**0.95**	1.05	1.04	1.09	1.06
Flexibility indicators					
Public debt charges-to-revenues	**0.03**	0.03	0.04	0.04	0.04
Own-source revenues-to-taxable assessment	**0.02**	0.02	0.03	0.03	0.03
Vulnerability indicators					
Operating government transfers-to-operating revenues	**0.13**	0.12	0.12	0.11	0.11
Total government transfers-to-total revenues	**0.20**	0.19	0.19	0.17	0.15

Sustainability is the degree to which the City can maintain its existing services and meet its financial commitments without increasing the relative debt or tax burden on the economy. Sustainability indicators include the City's assets-to-liabilities ratio, which exceeds one in 2011 and the previous four years. This positive ratio indicates the City has not been financing its operations by issuing debt. In 2011, the financial assets-to-liabilities ratio dipped below one, indicating that some future financial resources may be required to meet current obligations. At a current ratio of .95, the City can cover any shortfall were it to arise. The City's net financial position changed mainly because of total liabilities increasing year-over-year by $117.1 million while financial assets remained relatively constant. One of the major reasons for the increase in liabilities is new debt. Even though the equity in the sinking funds increased by $23.8 million, the City incurred a service concession arrangement obligation of $50.0 million for the Chief Peguis Trail Extension and $50.0 million mainly to fund the Southwest Rapid Transit Corridor project.

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

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

Vulnerability is the degree to which the City is dependent on sources of funding outside its control or influence, or is exposed to risks that could impair its ability to meet financial and service commitments. The government transfers-to-total revenues ratio indicates the proportion of revenues that the City receives from the senior levels of government. Over the past several years, this ratio has risen marginally mainly because of funding for tangible capital assets. The ratio has also risen due to services provided by the City, where costs are reimbursed by the Province for programs such as flood control and ambulance services.

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

Debt Metrics	Maximum	As at December 31, 2011	Forecasted Peak
Debt as a % of revenue			
City	85.0%	38.0%	75.1%
Tax-supported and other funds	60.0%	28.2%	55.3%
Self-supporting utilities	220.0%	62.4%	189.6%
Debt-servicing as a % of revenue			
City	11.0%	6.3%	8.3%
Tax-supported and other funds	10.0%	4.6%	7.7%
Self-supporting utilities	20.0%	9.6%	14.8%
Debt per capita			
City	$ 2,050	$ 807	$ 1,742
Tax-supported and other funds	$ 1,050	$ 537	$ 984
Self-supporting utilities	$ 950	$ 254	$ 864

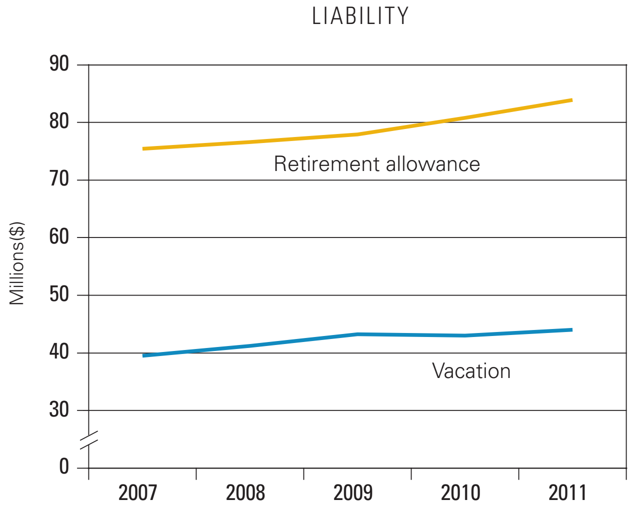
Note: "City" includes "Tax-supported and other funds," "Self-supporting utilities" and consolidated entities; "Tax-supported and other funds" includes Municipal Accommodations, Transit System and Fleet Management; and "Self-supporting utilities" includes Waterworks System, Sewage Disposal System and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

Accounting Policies

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

Employee Benefits

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



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

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

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

The future service cost of the Winnipeg Civic Employees' Benefits Program following September 1, 2011 is 20.3% of pensionable earnings.

The Winnipeg Police Pension Plan is a defined benefit plan to which the members contribute 8% of pensionable earnings, with the City being responsible for any unfunded liabilities. As at December 31, 2011, the market value of this pension fund's assets was $894.6 million (2010 – $922.2 million), which is $38.9 million less (2010 – $25.3 million greater) than the accrued pension obligation.

The cost of benefits accrued under this Plan is 22.1% of pensionable earnings. The Plan provides for any amount in excess of the City's matching the employees' contribution rate of 8% be funded by this Plan's Contribution Stabilization Reserve. As at December 31, 2011, this reserve has a balance of $19.4 million (2010 – $42.1 million). New funding regulations effective May 31, 2010 introduced a provision that such a contribution holiday can only be taken if the funding excess exceeds 5% of solvency liabilities. It is anticipated that this limit has been met as of May 2012 and, as such, the employer's contribution rate will increase to 14.1%.

Tangible Capital Assets

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

Environmental Matters

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

Business Risks

Labour Negotiations

For the year ended December 31, 2011, 52% (2010 – 53%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 10,039, the majority being represented by the eight unions and associations noted as follows:

Union/Association	Average Annual Headcount	Agreement Expiry Date
ATU	1,333	January 17, 2015
CUPE	4,667	December 27, 2014
MGEU	312	February 13, 2011
UFFW	914	December 26, 2011
WAPSO	628	October 11, 2011
WFPSOA	41	August 27, 2011
WPA	1,899	December 23, 2012
WPSOA	29	December 19, 2010

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

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

Organizational Initiatives

Assiniboine Park

In September 2011, City Council approved a Lease and Funding Agreement between the City and APC. The agreement deals with the acquisition of certain assets, operations, management, restoration and redevelopment of Assiniboine Park (the "Park"). APC is a not-for-profit organization with a mandate to lead, manage, fundraise and redevelop the Park. With this agreement, the City determined it controls APC and began including them in the City's reporting entity. Critical terms of the agreement include:

- All Park lands, built and natural infrastructure are public assets which will continue to be owned by the City;
- The Park will be maintained as a public park with free entry to green space;
- APC shall be given the authority to redevelop the Park attractions, to develop new facilities and programs for public enjoyment and to pursue commercial activities appropriate to the Park to support sustainability of operations; and
- APC will undertake a capital fundraising campaign to raise funds for the Park restoration and redevelopment.

Sewage Treatment Plant Upgrade and Expansion Program

On April 20, 2011, the City entered into a multi-year agreement with VWNA Winnipeg Inc. ("Veolia"). In an effort to balance the needed sewage upgrades while protecting taxpayers, this agreement features a unique collaborative working relationship whereby Veolia provides expert advice to assist the City with its design, construction and operation of Winnipeg's sewage treatment plants and biosolids handling. The City owns and operates the plants. Veolia provides expertise and their earnings are based on the long-term performance of capital projects and operations.

Financial Accountability

The City's Audit Department plays a key role in providing independent assurance on the performance of civic services in support of open, transparent and accountable government. In 2011, the Audit Department issued performance audit reports on the operational performance of three Special Operating Agencies: Winnipeg Golf Services, Winnipeg Parking Authority and Animal Services. This was the first independent operational review of these Agencies since they began operations. The Audit Department brought forward recommendations to review the mandates of these Agencies to ensure that they remain relevant and recommendations to improve the financial and operational performance of these Agencies.

The Audit Department recommended to Audit Committee that a Fraud Hotline for the City be implemented. The implementation of a Fraud Hotline supports financial accountability, the integrity of the City of Winnipeg employees and the workplace, and serves as a deterrent to fraud. The Fraud Hotline also supports the protection of City property, resources and information and demonstrates the City's commitment to sound and ethical operating practices. The Fraud Hotline for City employees began operating in April 2012.

Also in 2011, the Audit Department recommended to the Governance Committee of Council that changes be made to the Councillors' Representation Allowance Fund Policy Requirements. The proposed changes included revisions to the allowable expenditures and required that the details of Councillor Representation Allowance Fund expenses be available on the City of Winnipeg website. In 2011, the Governance Committee of Council approved a revised policy incorporating the recommendations.

Recent Accounting Pronouncements

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

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

Looking Forward

Section 284(2) of The City of Winnipeg Charter requires City Council to adopt the capital budget for that year, and a capital forecast for the next five fiscal years, before December 31 of each fiscal year. On December 13, 2011, City Council adopted the 2012 annual capital budget and the 2013 to 2017 five-year forecast. The six-year plan authorizes over $2.3 billion in City capital projects, with $393.2 million earmarked in 2012.

Some of the upcoming projects included in the 2012 capital budget are: total street projects of $149.9 million, including $77.0 million – Plessis Road twinning and grade separation at Canadian National Rail, $30.9 million – regional and local streets renewal, $11.5 million – Sturgeon Road Bridge (Sturgeon Creek), and $5.8 million – Osborne Street Bridge (Assiniboine River); $49.5 million – East Yard Complex development; $13.5 million – transit buses; and $9.6 million – redevelopment of Assiniboine Park through APC.

Section 284(1) of The City of Winnipeg Charter requires City Council to approve the tax-supported budget before March 31 of each fiscal year. On March 20, 2012, City Council approved the 2012 operating budget, which after 14 consecutive years of property tax freezes or reductions, provides for a 3.5% increase in property taxes. The budget plan also includes the implementation of an enhanced small business tax credit program worth $3.9 million to eliminate business taxes for the smallest businesses (4,933 or 40.5% of all businesses). It also provides for 26 additional police officers on the street, which completes City Council's 2011 commitment of 58 more officers.

GENERAL REVENUE FUND – BUDGET

For the years ended December 31 (in thousands of dollars)	2012	2011	2010	2009	2008
Revenues					
Property tax	$ 459,564	$ 435,934	$ 431,113	$ 428,692	$ 424,422
Government transfers	113,265	106,106	102,768	101,663	90,237
Frontage levy and other taxation	70,072	71,726	63,198	46,107	25,253
Sale of goods and services	62,761	58,146	76,142	73,772	66,810
Business tax	57,584	57,584	57,584	57,584	57,584
Transfer from other funds	52,309	38,203	40,631	32,940	62,361
Regulation fees	37,634	36,540	35,385	37,272	30,349
Interest	11,394	9,245	10,142	9,328	9,326
Other	35,377	33,840	723	1,372	1,280
	899,960	847,324	817,686	788,730	767,622
Expenses					
Police service	220,184	202,173	189,909	178,997	169,936
Public works	169,043	170,157	161,509	166,132	165,502
Fire paramedic service	154,750	143,013	137,648	129,452	123,613
Community services	112,793	100,479	103,479	98,869	97,150
Corporate	59,166	63,891	59,437	60,367	60,492
Water and waste	44,052	34,695	33,823	30,093	29,373
Planning, property and development	41,221	38,353	38,791	39,104	37,120
Corporate support services	31,312	30,899	33,079	30,541	27,053
Assessment and taxation	25,572	23,841	22,565	17,987	19,229
Street lighting	11,100	10,685	10,854	10,520	10,533
City Clerk's	10,897	10,316	11,913	12,475	12,133
Corporate finance	8,547	8,074	7,543	7,288	6,642
Other departments	11,323	10,748	7,136	6,905	8,846
	899,960	847,324	817,686	788,730	767,622
	$ –	$ –	$ –	$ –	$ –

Prior year figures have not been reclassified to conform with the 2012 figures.

Request for Information

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

Michael Ruta, FCA
Chief Financial Officer

Responsibility for Financial Reporting

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

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

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

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

Michael Ruta, FCA
Chief Financial Officer

Independent Auditors’ Report

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

We have audited the accompanying consolidated financial statements of The City of Winnipeg (“the City”), which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The City of Winnipeg as at December 31, 2011, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

June 6, 2012
Winnipeg, Canada

Consolidated Statement of Financial Position

As at December 31 (in thousands of dollars)	2011	2010
Financial Assets		
Cash and cash equivalents (Note 3)	**$ 437,346**	$ 422,125
Accounts receivable (Note 4)	**197,927**	215,949
Land held for resale	**14,861**	15,150
Investments (Note 5)	**292,495**	276,316
Investment in government businesses (Note 6)	**23,783**	23,563
	966,412	953,103
Liabilities		
Accounts payable and accrued liabilities (Note 7)	**186,463**	145,266
Deferred revenue (Note 8)	**64,825**	71,428
Debt (Note 9)	**558,400**	496,402
Other liabilities (Note 10)	**55,435**	45,531
Accrued employee benefits and other (Note 11)	**156,465**	145,873
	1,021,588	904,500
Net Financial (Liabilities) Assets	**(55,176)**	48,603
Non-Financial Assets		
Tangible capital assets (Note 13)	**4,747,795**	4,447,995
Inventories	**16,385**	16,043
Prepaid expenses and deferred charges	**6,086**	6,073
	4,770,266	4,470,111
Accumulated Surplus (Note 14)	**$ 4,715,090**	$ 4,518,714
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:

Sam Katz – Mayor

Scott Fielding – Chairperson
Standing Policy Committee On Finance

Consolidated Statement of Operations and Accumulated Surplus

For the years ended December 31 (in thousands of dollars)	**Budget 2011**	**Actual 2011**	Actual 2010
	(Unaudited)		
Revenues			
Taxation (Note 16)	**$ 563,807**	**$ 563,779**	$ 550,994
Sales of services and regulatory fees (Note 17)	**441,251**	**460,452**	425,164
Government transfers (Note 18)	**148,529**	**159,475**	144,910
Land sales and other revenue (Note 6)	**38,037**	**48,269**	47,914
Investment income	**32,569**	**40,449**	34,769
Total Revenues	**1,224,193**	**1,272,424**	1,203,751
Expenses			
Protection and community services	**395,642**	**388,089**	390,421
Utility operations	**329,604**	**334,154**	301,637
Public works	**272,373**	**287,847**	264,543
Property and development	**112,489**	**103,436**	101,588
Finance and administration	**73,646**	**70,404**	66,405
Civic corporations	**44,949**	**47,257**	31,532
General government	**36,955**	**42,047**	28,512
Total Expenses (Note 19)	**1,265,658**	**1,273,234**	1,184,638
(Deficiency) Excess Revenues Over Expenses Before Other	**(41,465)**	**(810)**	19,113
Other			
Government transfers related to capital (Note 18)	**116,736**	**138,611**	106,976
Developer contributions-in-kind related to capital (Note 13)	**41,032**	**58,575**	43,129
	157,768	**197,186**	150,105
Excess Revenues Over Expenses	**$ 116,303**	**196,376**	169,218
Accumulated Surplus, Beginning of Year		**4,518,714**	4,349,496
Accumulated Surplus, End of Year		**$ 4,715,090**	$ 4,518,714

See accompanying notes and schedules to the consolidated financial statements

Consolidated Statement of Cash Flows

For the years ended December 31 (in thousands of dollars)	2011	2010
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating		
Excess Revenues Over Expenses	**$ 196,376**	$ 169,218
Non-cash charges to operations		
Amortization	**175,765**	165,857
Write-down of tangible capital assets	**5,779**	705
Other	**21,562**	(18,661)
	399,482	317,119
Net change in non-cash working capital balances related to operations	**52,467**	(27,635)
Cash provided by operating activities	**451,949**	289,484
Capital		
Acquisition of tangible capital assets	**(486,320)**	(333,851)
Proceeds on disposal of tangible capital assets	**2,451**	28,178
Cash used in capital activities	**(483,869)**	(305,673)
Financing		
Increase in sinking fund investments	**(23,841)**	(19,662)
Debenture and serial debt retired	**(20,672)**	(19,931)
Sinking fund and serial debenture issued	**50,000**	60,000
Service concession arrangement	**50,000**	–
Other	**6,594**	(3,405)
Cash provided by financing activities	**62,081**	17,002
Investing		
(Increase) decrease of investments	**(14,940)**	20,167
Cash (used in) provided by investing activities	**(14,940)**	20,167
Increase in cash and cash equivalents	**15,221**	20,980
Cash and Cash Equivalents, Beginning of Year	**422,125**	401,145
Cash and Cash Equivalents, End of Year	**$ 437,346**	$ 422,125

See accompanying notes and schedules to the consolidated financial statements

Consolidated Statement of Change In Net Financial (Liabilities) Assets

For the years ended December 31 (in thousands of dollars)	Budget 2011	Actual 2011	Actual 2010
	(Unaudited)		
Excess Revenues Over Expenses	$ 116,303	$ 196,376	$ 169,218
Amortization of tangible capital assets	179,055	175,765	165,857
Proceeds on disposal of tangible capital assets	–	2,451	28,178
Write-down of tangible capital assets	–	5,779	705
Loss (gain) on sale of tangible capital assets	1,071	2,525	(21,230)
Change in inventories, prepaid expenses and deferred charges	(1,000)	(355)	(877)
Acquisition of tangible capital assets	(351,147)	(486,320)	(333,851)
Other	–	–	3,700
(Decrease) Increase In Net Financial Assets	(55,718)	(103,779)	11,700
Net Financial Assets, Beginning of Year	48,603	48,603	36,903
Net Financial (Liabilities) Assets, End of Year	$ (7,115)	$ (55,176)	$ 48,603

See accompanying notes and schedules to the consolidated financial statements

Notes to the Consolidated Financial Statements

December 31, 2011
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Status of The City of Winnipeg

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

2. Significant Accounting Policies

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

a) Basis of consolidation

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

i) Consolidated entities

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

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

*Effective January 1, 2011

ii) Government businesses

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

iii) Employees' pension funds

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

iv) Group life insurance funds

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

b) Basis of accounting

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

2. Significant Accounting Policies (continued)

c) School taxes

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

d) Cash equivalents

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

e) Land held for resale

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

f) Investments

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

g) Assessment appeal costs

Property tax revenue is based on market assessments that are subject to appeal. A provision has been estimated for assessment appeals outstanding at December 31.

h) Solid waste landfills

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

i) Environmental provisions

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

j) Deferred revenue

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

k) Employee benefit plans

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

l) Non-financial assets

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

2. Significant Accounting Policies (continued)

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 the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Vehicles	
Transit buses	18 years
Other vehicles	5 to 10 years
Computer hardware and software	5 to 10 years
Other	
Machinery and equipment	10 years
Land improvements	10 to 30 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Sewage treatment plants and lift stations	50 to 75 years
Water pumping stations and reservoirs	50 to 75 years
Flood stations and other infrastructure	50 to 75 years
Transportation	
Roads	10 to 50 years
Bridges and structures	25 to 75 years

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

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

a) Contributions of tangible capital assets

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

b) Leases

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

c) Service concession 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.

ii) Inventories

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

m) 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.

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

n) Estimates

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

3. Cash and Cash Equivalents

		2011		2010
Cash	**$**	**7,753**	$	2,275
Cash equivalents		**429,593**		419,850
	$	**437,346**	$	422,125

The average effective interest rate for cash equivalents at December 31, 2011 is 1.3% (2010 – 1.3%).

Cash and cash equivalents exclude $189.5 million (2010 – $147.7 million) which has been received from various entities including EBB. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is $41.6 million (2010 – $34.0 million).

4. Accounts Receivable

		2011		2010
Property, payments-in-lieu and business taxes receivable	**$**	**34,747**	$	34,387
Allowance for property, payments-in-lieu and business tax arrears		**(2,629)**		(3,080)
		32,118		31,307
Trade accounts and other receivables		**105,768**		112,110
Province of Manitoba		**57,505**		68,140
Government of Canada		**10,294**		11,971
Allowance for doubtful accounts		**(7,758)**		(7,579)
		165,809		184,642
	$	**197,927**	$	215,949

5. Investments

		2011		2010
Marketable securities				
Government of Canada bonds and Federal guarantees	**$**	**–**	$	6,494
Provincial bonds and bond coupons and provincial guarantees		**6,680**		9,891
Municipal bonds		**61,475**		36,775
		68,155		53,160
Manitoba Hydro long-term receivable		**220,238**		220,238
Other investments		**4,102**		2,918
	$	**292,495**	$	276,316

5. Investments (continued)

The aggregate market value of marketable securities at December 31, 2011 is $72.9 million (2010 – $55.1 million).

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

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City discounted at the City's historical average long-term borrowing rate. The amount outstanding has been fixed at the December 31, 2010 unamortized balance, which coincides with the payments remaining at $16 million to perpetuity.

6. Investment in Government Businesses

a) North Portage Development Corporation

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

The condensed supplementary financial information of NPDC is as follows:

		2011		2010
Financial position				
Capital assets and investment in properties and infrastructure enhancements	**$**	**76,008**	$	77,494
Investments		**12,891**		13,669
Other assets		**3,099**		4,394
	$	**91,998**	$	95,557
Deferred contributions	**$**	**17,044**	$	18,996
Long-term debt		**12,076**		12,380
Current and other liabilities		**5,002**		6,256
		34,122		37,632
Net assets		**57,876**		57,925
	$	**91,998**	$	95,557
Results of operations				
Revenues	**$**	**11,164**	$	10,467
Expenditures		**10,082**		9,363
		1,082		1,104
Amortization		**(767)**		(944)
Other adjustments		**(506)**		(318)
Unrealized and realized gains		**142**		754
(Deficiency) excess of revenues over expenditures for the year	**$**	**(49)**	$	596

b) Winnipeg Housing Rehabilitation Corporation

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

6. Investment in Government Businesses (continued)

The condensed supplementary financial information of WHRC is as follows:

		2011		2010
Financial position				
Capital assets	$	28,284	$	29,506
Current and other assets		6,347		5,844
	$	34,631	$	35,350
Long-term debt	$	25,861	$	27,059
Current and other liabilities		4,279		4,036
		30,140		31,095
Replacement Reserves		3,780		3,655
WHRC Building and Acquisition Reserve		993		977
Net assets		(282)		(377)
		4,491		4,255
	$	34,631	$	35,350
Results of operations				
Revenues	$	7,573	$	7,243
Expenditures		7,477		7,269
Excess (deficiency) of revenues over expenditures for the year		96		(26)
Change to Replacement Reserves during the year		124		83
Change to WHRC Building and Acquisition Reserve during the year		16		657
Internally restricted net assets		–		(615)
	$	236	$	99

During the year, the City paid WHRC an operating grant of $200 thousand (2010 – $200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2010 – $2.0 million). As at March 31, 2011, WHRC has utilized $764 thousand of this line of credit.

Summary of investment in government businesses

		2011		2010
North Portage Development Corporation (1/3 share)	$	19,292	$	19,308
Winnipeg Housing Rehabilitation Corporation		4,491		4,255
	$	23,783	$	23,563

Summary of results of operations

		2011		2010
North Portage Development Corporation (1/3 share)	$	(16)	$	198
Winnipeg Housing Rehabilitation Corporation		236		99
	$	220	$	297

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

7. Accounts Payable and Accrued Liabilities

		2011		2010
Accrued liabilities	**$**	**86,721**	$	73,442
Trade accounts payable		**86,292**		58,702
Accrued interest payable		**13,450**		13,122
	$	**186,463**	$	145,266

8. Deferred Revenue

		2011		2010
Federal gas tax transfer	**$**	**39,049**	$	26,770
Province of Manitoba		**14,765**		34,024
Other		**11,011**		10,634
	$	**64,825**	$	71,428

9. Debt

Sinking fund debentures outstanding

					Amount of Debt			
Term	Maturity Date	Rate of Interest	Series	By-Law No.		2011		2010
1993-2013	Feb. 11	9.375	VN	6090/93	**$**	**90,000**	$	90,000
1994-2014	Jan. 20	8.000	VQ	6300/94		**85,000**		85,000
1995-2015	May 12	9.125	VR	6620/95		**88,000**		88,000
1997-2017	Nov. 17	6.250	VU	7000/97		**30,000**		30,000
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006		**60,000**		60,000
2008-2036	July 17	5.200	VZ	72/2006B		**100,000**		100,000
2010-2041	June 3	5.150	WB	183/2008		**60,000**		60,000
2011-2051	Nov. 15	4.300	WC	72/06, 183/08 and 150/09		**50,000**		–
						563,000		513,000
Equity in The Sinking Funds (Notes 9a and b)						**(242,528)**		(218,687)
Net sinking fund debentures outstanding						**320,472**		294,313
Other debt outstanding								
Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.78% (2010 – 4.82%)						**78,332**		99,004
The Province and bank loans with varying maturities up to 2026 and a weighted average interest rate of 3.46% (2010 – 3.69%)						**83,108**		74,647
Capital lease obligations (Note 9c)						**26,488**		28,438
Service concession arrangement obligation (Notes 9d and 15d)						**50,000**		–
					$	**558,400**	$	496,402

9. Debt (continued)

Debt segregated by fund/organization:

	2011	2010
General Capital Fund	**$ 215,302**	$ 166,074
Waterworks System	**161,142**	167,462
Transit System	**94,551**	67,744
Special operating agencies and other	**72,635**	70,342
Sewage Disposal System	**14,508**	24,454
Solid Waste Disposal	**262**	326
	$ 558,400	$ 496,402

Debt to be retired over the next five years:

	2012	2013	2014	2015	2016	2017+
Sinking fund debentures	$ –	$ 90,000	$ 85,000	$ 88,000	$ –	$ 300,000
Other debt	49,106	34,917	21,097	14,074	14,319	104,415
	$ 49,106	$ 124,917	$ 106,097	$ 102,074	$ 14,319	$ 404,415

a) As at December 31, 2011, sinking fund assets have a market value of $254.0 million (2010 – $229.6 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 $27.3 million (2010 – $38.8 million) and a market value of $28.9 million (2010 – $39.4 million).

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

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

	Capital Leases
2012	$ 3,018
2013	3,095
2014	3,098
2015	2,336
2016	2,303
Thereafter	36,834
Total future minimum lease payments	50,684
Amount representing interest at a weighted average rate of 8.10%	(24,196)
Capital lease obligations	$ 26,488

9. Debt (continued)

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

The $108.5 million project will have been financed through a grant of $23.9 million from PPP Canada, a provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.9 million. As at December 31, 2011, $97.5 million was capitalized for commissioned works under this service concession arrangement (Note 13). All financing has been placed prior to December 31, 2011 except for $1.7 million from PPP Canada which will be claimed with capital expenses to be incurred in 2012. Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

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

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

e) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2011 is $44.0 million (2010 – $46.2 million) and cash paid for interest during the year is $43.6 million (2010 – $46.4 million).

10. Other Liabilities

		2011		2010
Environmental liabilities	**$**	**19,200**	$	19,500
Developer deposits		**8,228**		8,773
Expropriation and other		**28,007**		17,258
	$	**55,435**	$	45,531

Included in environmental liabilities is $18.3 million (2010 – $18.1 million) for the estimated total landfill closure and post-closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's average long-term borrowing rate of 6.0% (2010 – 6.0%).

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

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

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Road Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2011, the reserve had a balance of $4.3 million (2010 – $3.7 million).

11. Accrued Employee Benefits and Other

		2011		2010
Retirement allowance – accrued obligation	$	**96,497**	$	89,975
Unamortized net actuarial loss		**(12,646)**		(9,146)
Retirement allowance – accrued liability		**83,851**		80,829
Vacation		**44,216**		42,986
Workers' compensation		**14,675**		8,932
Compensated absences		**7,990**		7,793
Other		**5,733**		5,333
	$	**156,465**	$	145,873

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

The City measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2011.

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

		2011		2010
Retirement allowance – accrued liability				
Balance, beginning of year	$	**80,829**	$	77,946
Current service cost		**5,068**		4,464
Interest cost		**3,422**		3,705
Amortization of net actuarial loss		**1,372**		1,128
Benefit payments		**(6,840)**		(6,414)
Balance, end of year	$	**83,851**	$	80,829

Retirement allowance expense consists of the following:

		2011		2010
Current service cost	$	**5,068**	$	4,464
Interest cost		**3,422**		3,705
Amortization of net actuarial loss		**1,372**		1,128
	$	**9,862**	$	9,297

11. Accrued Employee Benefits and Other (continued)

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

	2011	2010
Discount rate on liability	**3.60%**	3.90%
General increases in pay	**3.50%**	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 Pension Plan

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

During 2011, members contributed 7.6% of their Canada Pension Plan earnings and 9.4% of pensionable earnings in excess of Canada Pension Plan earnings up to September 1, 2011 and 8.05% of their Canada Pension Plan earnings and 10.0% of pensionable earning earnings in excess of Canada Pension Plan earnings following September 1, 2011. Member's contribution rates are scheduled to increase to an average of 9.0% of pensionable earnings in 2012, 9.5% of pensionable earnings in 2013 and 10.0% of pensionable earnings in 2014 and future years. The City and participating employers are required to make matching contributions.

An actuarial valuation of the plan was prepared as at December 31, 2010, which indicated an excess of actuarial value of program assets over actuarial liabilities of $290.3 million. The Pension Trust Agreement specifies how the excess of actuarial surpluses can be used but does not attribute the excess of actuarial surpluses to individual employers. However, a portion of the excess 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, 2011 was $70.2 million (2010 – $82.1 million).

Total contributions by the City to the program in 2011 were $22.7 million (2010 – $20.4 million), which were expensed as incurred.

b) Winnipeg Police Pension Plan

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

12. Pension Costs and Obligations (continued)

An actuarial valuation of the Plan was prepared as of December 31, 2010. The valuation revealed a funding deficiency, which, in accordance with the terms of the Plan, was resolved through a reduction in the contribution stabilization reserve and by reducing the rate of cost-of-living adjustments to pensions from 75% to 71.2% of the inflation rate.

The results of the December 31, 2010 actuarial valuation of the Plan were extrapolated to December 31, 2011. The principal long-term assumptions on which the valuation was based were: discount rate of 6.25% per year (2010 – 6.25%); inflation rate of 2.00% per year (2010 – 2.00%); and general pay increases of 3.50% per year (2010 – 3.50%). The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the Plan's assets, accrued pension obligation and pension expenses are as follows:

		2011		2010
Plan assets:				
Fair value, beginning of year	**$**	**922,233**	$	854,735
Employer contributions		**9,758**		9,454
Employee contributions and transfers		**9,870**		9,754
Benefits and expenses paid		**(39,904)**		(38,252)
Net investment income		**(7,338)**		86,542
Fair value, end of year		**894,619**		922,233
Actuarial adjustment		**58,297**		16,732
Actuarial value, end of year	**$**	**952,916**	$	938,965
Accrued pension obligation:				
Beginning of year	**$**	**896,897**	$	853,562
Current period benefit cost		**28,748**		28,357
Benefits and expenses paid		**(39,904)**		(38,252)
Interest on accrued pension obligation		**55,403**		53,553
Actuarial gain		**(7,657)**		(323)
End of year	**$**	**933,487**	$	896,897
Funded status	**$**	**19,429**	$	42,068
Less: contribution stabilization reserve		**(19,429)**		(42,068)
Actuarial surplus	**$**	**–**	$	–
Expenses related to pensions:				
Current period benefit cost	**$**	**28,748**	$	28,357
Amortization of actuarial gains		**(6,471)**		(6,267)
Less: employee contributions and transfers		**(9,870)**		(9,754)
Pension benefit expense		**12,407**		12,336
Interest on accrued benefit obligation		**55,403**		53,553
Expected return on plan assets		**(58,052)**		(56,435)
Pension interest expense		**(2,649)**		(2,882)
Total expenses related to pensions	**$**	**9,758**	$	9,454

12. Pension Costs and Obligations (continued)

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 2011 were $9.8 million (2010 – $9.5 million). Total employee contributions to the Plan in 2011 were $9.9 million (2010 – $9.6 million). Benefits paid from the Plan in 2011 were $39.1 million (2010 – $37.5 million).

The expected rate of return on Plan assets in 2011 was 6.25% (2010 – 6.25%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2011 was -0.80% (2010 – 10.24%).

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

c) Councillors' Pension Plan

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

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2011, the City paid out $0.4 million (2010 – $0.3 million). An actuarial determined pension obligation of $3.9 million (2010 – $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 which is consistent with the Civic Employees' Pension Plan. An accrued pension obligation has been reflected in the Consolidated Statement of Financial Position.

d) Group Life Insurance Plan

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

An actuarial valuation of the plan was prepared as of December 31, 2010 and the results were extrapolated to December 31, 2011. The principal long-term assumptions on which the valuation was based were: discount rate of 3.90% per year (2010 – 4.65%); and general pay increases of 3.50% per year (2010 – 3.75%). The accrued group life insurance obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the plan is as follows:

	2011	2010
Group life insurance plan assets, at actuarial value	**$ 134,992**	$ 132,874
Accrued post-retirement life insurance obligations	**$ 111,580**	$ 96,268

13. Tangible Capital Assets

	Net Book Value 2011	Net Book Value 2010
General		
Land	**$ 202,897**	$ 191,940
Buildings	**318,846**	303,015
Vehicles	**178,251**	172,305
Computer	**40,754**	46,987
Other	**120,934**	94,236
Infrastructure		
Plants and facilities	**598,277**	600,589
Roads	**987,930**	859,372
Underground and other networks	**1,815,433**	1,764,978
Bridges and other structures	**384,570**	304,247
	4,647,892	4,337,669
Assets under construction	**99,903**	110,326
	$ 4,747,795	$ 4,447,995

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

During the year, $5.8 million (2010 – $0.7 million) of tangible capital assets were written-down. Interest capitalized during 2011 was $2.6 million (2010 – $3.5 million). In addition, roads and underground networks contributed to the City totalled $58.6 million in 2011 (2010 – $43.1 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $97.4 million (2010 – $nil) of tangible capital assets that were acquired through service concession arrangements.

14. Accumulated Surplus

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

	2011	2010
Surplus		
Invested in tangible capital assets	**$ 4,197,895**	$ 3,983,440
Manitoba Hydro long-term receivable	**220,238**	220,238
Sewage Disposal System	**77,144**	90,872
Waterworks System	**62,161**	68,375
North Portage Development Corporation	**19,292**	19,308
CentreVenture Development Corporation	**15,587**	9,651
Solid Waste Disposal	**4,630**	3,296
Equipment and Material Services	**3,227**	8,757
Other	**23,002**	36,427
Unfunded expenses		
Canadian Museum for Human Rights grant	**(11,025)**	(11,059)
Environmental liabilities	**(19,160)**	(18,878)
Accrued employee benefits and other	**(152,903)**	(142,644)
Total Surplus	**4,440,088**	4,267,783
Reserves		
Capital Reserves		
Environmental Projects	**45,547**	38,544
Sewer System Rehabilitation	**31,801**	33,316
Rapid Transit Infrastructure	**11,147**	7,602
Transit Bus Replacement	**8,655**	8,063
Other	**10,566**	9,851
	107,716	97,376
Stabilization Reserves		
Financial Stabilization	**85,305**	–
Mill Rate Stabilization	**–**	41,910
Fiscal Stabilization	**–**	39,672
	85,305	81,582
Special Purpose Reserves		
Perpetual Maintenance Fund – Brookside Cemetery	**12,944**	12,608
General Purpose	**11,063**	7,214
Land Operating	**10,901**	14,182
Destination Marketing	**10,186**	7,631
Heritage Investment	**5,468**	6,410
Insurance (Note 20)	**5,103**	3,690
Contribution in Lieu of Land Dedication	**4,800**	4,495
Workers Compensation	**3,883**	2,758
Other	**17,633**	12,985
	81,981	71,973
Total Reserves	**275,002**	250,931
	$ 4,715,090	$ 4,518,714

14. Accumulated Surplus (continued)

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

15. Commitments and Contingencies

The significant commitments and contingencies that existed at December 31, 2011 are as follows:

a) Operating leases

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

	Operating Leases
2012	$ 3,539
2013	3,248
2014	2,155
2015	1,581
2016 and thereafter	8,315
	$ 18,838

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, 2011 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements.

c) Loan guarantees

The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2011 is $6.9 million (2010 – $5.4 million).

d) Service concession arrangements

(i) The City 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. The project is currently under construction with commissioning anticipated to be in the fall of 2012. The entire project, including upfront costs beyond the PRW fixed-price contract, is budgeted to be financed through City-issued debt of $75.0 million, a $101.2 million service concession arrangement obligation to PRW and cash consideration paid by the City of $18.8 million. Upon commissioning of the project, the City will commence repayment of the service concession agreement obligation to PRW through monthly capital and interest performance-based payments totalling $9.8 million annually over the 30-year contract. The City will also pay PRW over the term of the contract, a monthly performance-based maintenance payment totalling $1.6 million annually, to be adjusted by the Consumer Price Index (CPI). The payment will commence upon commissioning of the project.

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

15. Commitments and Contingencies (continued)

e) Veolia agreement

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

The City's sewage treatment system treats and handles wastewater and resulting residuals at its existing three major sewage treatment facilities, the South End, West End and North End Water Pollution Control Centres (the "Facilities"). Veolia's role will be to provide services to the City and representatives of Veolia will work collaboratively with representatives of the City providing advice and recommendations to the City in respect of the City's (i) management and operation of the Facilities for the handling and treatment of wastewater; (ii) assessment, planning and delivery of upgrades and capital 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. Reimbursement of Veolia's actual direct costs related to the Program ("Direct Costs");
2. An agreed upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost ("Fee");
3. For operations and capital projections under the Program, a target cost 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 of the Direct Costs incurred by it in providing services as indicated in Item 1 described in the above paragraph.

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

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

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

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

f) Forgivable loans

The City has received funding from the federal and provincial governments for the purchase of certain properties. Repayment of this funding is not required as long as the properties operate as an affordable housing complex or offer services for the homeless. As at December 31, 2011, the forgivable loans totalled $6.6 million (2010 – $0.8 million).

16. Taxation

	2011	2010
Municipal and school property taxes	**$ 888,178**	$ 883,541
Payments-in-lieu of property (municipal and school) and business taxes	**40,291**	42,531
	928,469	926,072
Payments to Province and school divisions	**(497,237)**	(497,907)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	**431,232**	428,165
Business tax and license-in-lieu of business taxes	**55,534**	57,563
Local improvement and frontage levies	**42,542**	29,048
Electricity and natural gas sales taxes	**18,004**	23,227
Amusement and accommodation taxes and mobile home licence	**16,467**	12,991
	$ 563,779	$ 550,994

The property tax roll includes school taxes of $473.8 million (2010 – $474.5 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2011 totalled $23.4 million (2010 – $23.5 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.

17. Sales of Services and Regulatory Fees

	2011	2010
Water sales and sewage services	**$ 216,084**	$ 204,609
Other sales of goods and services	**114,063**	98,854
Transit fares	**69,946**	65,592
Regulatory fees	**60,359**	56,109
	$ 460,452	$ 425,164

18. Government Transfers

	2011	2010
Operating		
Province of Manitoba		
Ambulance, libraries and other	$ 63,314	$ 51,042
Building Manitoba Fund	56,704	56,704
Transit	30,820	27,877
Unconditional	19,888	19,888
Support	11,535	11,545
Support for provincial programs	(23,650)	(23,650)
	158,611	143,406
Government of Canada		
Other	864	1,504
Total Operating	159,475	144,910
Capital		
Province of Manitoba	79,018	62,293
Government of Canada		
Federal gas tax revenue	28,174	27,176
PPP Canada	22,209	–
Other capital funding	9,210	9,050
Public transit	–	8,457
	59,593	44,683
Total Capital	138,611	106,976
	$ 298,086	$ 251,886

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

19. Expenses by Object

	2011	2010
Salaries and benefits	$ 664,221	$ 623,232
Goods and services	357,008	324,119
Amortization	175,765	165,857
Interest	43,954	46,233
Other expenses	32,286	25,197
	$ 1,273,234	$ 1,184,638

20. Property and Liability Insurance

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

21. Segmented Information

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

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

Protection

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

Community Services

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

Planning

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

Public Works and Water

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

Transit System Fund

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

21. Segmented Information (continued)

Water and Waste Funds

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

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

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

22. Funds Held in Trust

Trust funds administered by the City for the benefit of external parties, which total \$0.4 million (2010 – \$0.6 million), are not included in the consolidated financial statements.

Consolidated Schedule of Tangible Capital Assets SCHEDULE 1

As at December 31
(In thousands of dollars)

	General					Infrastructure					Totals	
	Land	Buildings	Vehicles	Computer	Other	Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	**2011**	2010
Cost												
Balance, beginning of year	$ 191,940	$ 556,167	$ 313,544	$ 133,845	$ 159,230	$ 805,136	$ 1,688,797	$ 2,638,155	$ 510,016	$ 110,326	**$ 7,107,156**	$ 6,831,420
Add: Additions during the year	12,103	38,439	29,576	4,822	39,128	17,746	174,269	89,862	90,798	(10,423)	**486,320**	333,851
Less: Disposals during the year	1,146	2,073	7,922	296	507	4,207	632	11,543	–	–	**28,326**	54,415
Other	–	–	–	–	–	–	–	–	–	–	**–**	(3,700)
Balance, end of year	202,897	592,533	335,198	138,371	197,851	818,675	1,862,434	2,716,474	600,814	99,903	**7,565,150**	7,107,156
Accumulated amortization												
Balance, beginning of year	–	253,152	141,239	86,858	64,994	204,547	829,425	873,177	205,769	–	**2,659,161**	2,540,066
Add: Amortization	–	20,805	23,242	11,054	12,230	15,851	45,486	36,622	10,475	–	**175,765**	165,857
Less: Accumulated amortization on disposals	–	270	7,534	295	307	–	407	8,758	–	–	**17,571**	46,762
Balance, end of year	–	273,687	156,947	97,617	76,917	220,398	874,504	901,041	216,244	–	**2,817,355**	2,659,161
Net Book Value of Tangible Capital Assets	$ 202,897	$ 318,846	$ 178,251	$ 40,754	$ 120,934	$ 598,277	$ 987,930	$ 1,815,433	$ 384,570	$ 99,903	**$ 4,747,795**	$ 4,447,995

Consolidated Schedule of Segment Disclosure–Service SCHEDULE 2

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

	General Revenue Fund									
	Protection	Community Services	Planning	Public Works and Water	Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
Revenues										
Taxation	$ 217,581	$ 67,609	$ –	$ 175,786	$ 107,261	$ –	$ –	$ 13,687	$ (18,145)	$ 563,779
Sales of services and regulatory fees	47,076	17,542	22,576	10,963	11,838	72,222	241,497	85,311	(48,573)	460,452
Government transfers (Note 18)	66,870	10,932	–	20,289	18,606	41,482	14,617	151,480	(26,190)	298,086
Transfer from other funds	3,313	954	17,275	16,999	3,257	56,992	34,970	805,942	(939,702)	–
Other	13,687	4,001	292	8,527	12,374	1,638	25,802	98,080	(17,108)	147,293
	348,527	101,038	40,143	232,564	153,336	172,334	316,886	1,154,500	(1,049,718)	1,469,610
Expenses (Note 19)										
Salaries and benefits	295,694	37,497	20,582	71,478	38,176	84,040	58,537	48,358	9,859	664,221
Goods and services	35,451	8,262	2,622	118,083	12,865	43,864	94,431	89,667	(48,237)	357,008
Interest	1,234	248	794	12,307	1,650	6,234	19,208	20,006	(17,727)	43,954
Transfer to other funds	10,702	35,983	13,616	36,351	67,654	13,892	76,348	669,968	(924,514)	–
Other	5,446	19,048	2,529	(5,655)	32,991	14,117	39,856	160,723	(61,004)	208,051
	348,527	101,038	40,143	232,564	153,336	162,147	288,380	988,722	(1,041,623)	1,273,234
Net Surplus	$ –	$ –	$ –	$ –	$ –	$ 10,187	$ 28,506	$ 165,778	$ (8,095)	$ 196,376

Consolidated Schedule of Segment Disclosure–Service SCHEDULE 2

For the year ended December 31, 2010
(In thousands of dollars)

	General Revenue Fund									
	Protection	Community Services	Planning	Public Works and Water	Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
Revenues										
Taxation	$ 214,964	$ 68,961	$ 1,166	$ 165,259	$ 94,184	$ –	$ –	$ 13,584	$ (7,124)	$ 550,994
Sales of services and regulatory fees	45,559	17,786	20,617	4,520	11,107	68,217	225,697	76,598	(44,937)	425,164
Government transfers (Note 18)	55,280	12,131	3,627	17,796	14,522	36,795	12,676	109,046	(9,987)	251,886
Transfer from other funds	3,926	1,394	14,230	17,725	3,366	68,813	30,353	306,315	(446,122)	–
Other	8,041	2,606	1,419	5,144	7,729	2,173	19,252	80,107	(659)	125,812
	327,770	102,878	41,059	210,444	130,908	175,998	287,978	585,650	(508,829)	1,353,856
Expenses (Note 19)										
Salaries and benefits	279,700	44,998	20,841	60,458	37,179	82,365	56,996	39,727	968	623,232
Goods and services	32,489	11,831	2,787	101,018	14,827	38,305	78,604	90,609	(46,351)	324,119
Interest	1,575	657	2,375	29,040	5,365	5,238	19,274	51,402	(68,693)	46,233
Transfer to other funds	8,557	36,704	10,213	6,780	50,388	12,349	62,108	156,031	(343,130)	–
Other	5,449	8,688	4,843	13,148	23,149	13,040	34,329	139,265	(50,857)	191,054
	327,770	102,878	41,059	210,444	130,908	151,297	251,311	477,034	(508,063)	1,184,638
Net Surplus	$ –	$ –	$ –	$ –	$ –	$ 24,701	$ 36,667	$ 108,616	$ (766)	$ 169,218

Consolidated Financial Statements Five-Year Review

December 31 ("$" amounts in thousands of dollars, except as noted) (Unaudited)		2011	2010	2009	2008	2007
1. Population (as restated per Statistics Canada)		**691,800**	682,100	672,900	664,900	658,500
Unemployment rate (per Statistics Canada)						
Winnipeg		**5.8%**	5.7%	5.4%	4.3%	4.7%
National average		**7.4%**	8.0%	8.3%	6.1%	6.0%
2. Average annual headcount		**10,039**	9,942	9,827	9,623	9,552
3. Number of taxable properties		**216,997**	215,224	213,574	211,048	209,127
Payments-in-lieu of taxes – Number of properties		**1,181**	1,238	903	908	945
4. Assessment (see note)						
Residential	**$**	**44,052,618**	43,431,201	24,048,221	23,666,110	23,223,839
Commercial and industrial		**12,054,712**	12,033,087	8,242,789	8,161,490	8,095,206
Farm and golf		**179,736**	183,279	128,611	131,414	156,357
	$	**56,287,066**	55,647,567	32,419,621	31,959,014	31,475,402
Assessment per capita (in dollars)	**$**	**81,363**	81,583	48,179	48,066	47,799
Commercial and industrial as a percentage of assessment		**21.42%**	21.62%	25.43%	25.54%	25.72%
5. Tax arrears	**$**	**34,747**	34,387	30,036	29,893	38,038
6. Tax arrears–per capita (in dollars)	**$**	**50.23**	50.41	44.64	44.96	57.76
7. Municipal mill rate		**15.295**	15.295	25.448	25.448	25.448
Percentage change adjusted for portioning and reassessment		**0.00%**	0.00%	0.00%	0.00%	0.00%
8. Winnipeg consumer price index (per Statistics Canada) (annual average)						
2002 base year 100		**118.1**	114.8	113.9	113.3	110.8
Percentage increase		**2.9%**	0.8%	0.5%	2.3%	2.1%
9. Consolidated revenues						
Taxation	**$**	**563,779**	550,994	534,571	521,684	515,197
User charges		**460,452**	425,164	413,243	412,984	381,273
Government transfers		**298,086**	251,886	256,823	213,310	188,563
Interest and other revenue		**147,293**	125,812	139,011	123,280	135,781
	$	**1,469,610**	1,353,856	1,343,648	1,271,258	1,220,814
10. Consolidated expenses by function						
Municipal operations	**$**	**891,823**	851,469	842,003	773,303	765,732
Public utilities		**334,154**	301,637	278,848	258,788	242,797
Civic corporations		**47,257**	31,532	29,582	29,383	25,000
	$	**1,273,234**	1,184,638	1,150,433	1,061,474	1,033,529
11. Growth in accumulated surplus	**$**	**196,376**	169,218	193,215	209,784	187,285

(Note: In 2010, the City conducted a general reassessment which moved from a 2003 level of value to a 2008 level of value.)

Consolidated Financial Statements Five-Year Review

December 31 ("$" amounts in thousands of dollars, except as noted) (Unaudited)		**2011**	2010	2009	2008	2007
12. Consolidated expenses by object						
Salaries and benefits	**$**	**664,221**	623,232	598,576	565,071	539,405
Goods and services		**357,008**	324,119	314,746	291,061	291,032
Amortization		**175,765**	165,857	155,382	141,099	133,635
Interest		**43,954**	46,233	49,588	50,952	46,950
Other expenses		**32,286**	25,197	32,141	13,291	22,507
	$	**1,273,234**	1,184,638	1,150,433	1,061,474	1,033,529
13. Payments to school authorities	**$**	**497,237**	497,907	474,445	465,001	452,937
14. Debt						
Tax-supported	**$**	**334,359**	274,838	294,449	378,872	379,836
Transit		**110,449**	81,408	22,088	24,914	25,464
City-owned utilities		**285,799**	290,605	288,899	304,834	206,261
Other		**70,321**	68,238	73,081	44,472	34,587
Total gross debt		**800,928**	715,089	678,517	753,092	646,148
Less: Sinking Funds		**242,528**	218,687	199,025	276,158	248,686
Total net long-term debt	**$**	**558,400**	496,402	479,492	476,934	397,462
Percentage of total assessment		**0.99%**	0.89%	1.48%	1.49%	1.26%
15. Acquisition of tangible capital assets	**$**	**486,320**	333,851	384,110	330,344	352,149
16. Net financial (liabilities) assets	**$**	**(55,176)**	48,603	36,903	77,850	52,440
17. Accumulated surplus						
Surpluses						
Invested in tangible capital assets	**$**	**4,197,895**	3,983,440	3,803,787	3,568,485	3,434,876
Manitoba Hydro long-term receivable		**220,238**	220,238	226,640	232,679	238,376
Other surpluses		**205,043**	236,686	230,630	253,225	187,543
Unfunded expenses		**(183,088)**	(172,581)	(170,228)	(150,518)	(157,724)
		4,440,088	4,267,783	4,090,829	3,903,871	3,703,071
Reserves						
Capital		**107,716**	97,376	98,329	94,156	89,887
Stabilization		**85,305**	81,582	78,397	84,680	78,619
Special Purpose		**81,981**	71,973	81,941	73,574	74,920
		275,002	250,931	258,667	252,410	243,426
	$	**4,715,090**	4,518,714	4,349,496	4,156,281	3,946,497
18. Government specific indicators						
Assets-to-liabilities		**5.62**	6.00	6.05	5.88	5.89
Financial assets-to-liabilities		**0.95**	1.05	1.04	1.09	1.06
Public debt charges-to-revenues		**0.03**	0.03	0.04	0.04	0.04
Own-source revenues-to-taxable assessment		**0.02**	0.02	0.03	0.03	0.03
Government transfers-to-revenues		**0.20**	0.19	0.19	0.17	0.15

Information on The City of Winnipeg is available at **www.winnipeg.ca**.

Inquiries may also be directed to **311** | Outside Winnipeg: **1-877-311-4974.**

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Downtown Winnipeg
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