INDEPENDENT AUDITORS' REPORT

To the Director of The City of Winnipeg - Transit Department

We have audited the reconciliation sheet of The City of Winnipeg - Province of Manitoba Transit Operating Grant ("the schedule") for the year ended December 31, 2015. This schedule has been prepared in accordance with the terms of the Province of Manitoba - City of Winnipeg Transit Funding Agreement dated January 19, 2012.

Management's Responsibility for the Schedule

Management is responsible for the preparation of the schedule in accordance with the Agreement referred to above, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule 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 the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 schedule.

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 financial information in The Province of Manitoba Transit Operating Grant is prepared in all material aspects, in accordance with the terms of the Province of Manitoba - City of Winnipeg Transit Funding Agreement dated January 19, 2012.

Restriction on Use

The schedule is prepared to provide information to the Province of Manitoba regarding the Agreement. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for The City of Winnipeg and the Province of Manitoba, and should not be used by parties other The City of Winnipeg and the Province of Manitoba.

KPMG LLP

Chartered Professional Accountants

June 8, 2016

Winnipeg, Canada
(i) Based on 2015 Unaudited Financial Information:

**Total Transit Expenditures from Operations**
(Excludes transfers to reserves and amortization)

$155,849,174 A

Add:

**Amortization:**
- Previously agreed to other tangible capital assets, not to exceed principal payments $ 811,547
- Southwest Rapid Transit Corridor – Stage 1 Project- Year 2 $ 2,991,667
- Recurring & ongoing project/programs to the extent funded by the City $ 457,201
- Non-recurring operating expenditures capitalized at year-end. $ 238,801

Less:

**System Generated Revenues (fares advertising, other revenues)** $ 84,194,016

**Property taxes and payments to the City of Winnipeg equivalent to property taxes** $ 765,940

**Interest and debenture issue costs for:**
- Transit bus purchases $ 735,903
- Tangible capital assets otherwise funded by Manitoba $ 249,173
- Tangible capital assets funded by third parties $ -

**Net Shareable Operating Deficit** $ 74,403,358 B

2015 Transit Operating Grant (Line B x 0.5) $ 37,201,679 C

Less: Amount paid as of December 31, 2015 $ 38,000,000 D

**Balance of 2015 Transit Operating Grant to be paid** (Line C –D) $ (798,321) E

(ii) Attach a copy of the City’s unaudited 2015 Financial Statements for Transit operations.

Attach reconciliations of the City’s 2015 amortization amounts as above and reconciliations of interest and debenture issue costs for transit bus purchases, tangible capital assets otherwise funded by the Manitoba or by third parties.

(iii) DECLARATION

We hereby make application to the Province of Manitoba for the balance of the Transit Grant entitlement in 2015 under the 50/50 transit funding partnership. Further, we certify that the information on this application and on any attachments is accurate and correct to the best of our knowledge.

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Director of Transit

F. N. 29, 2016

Send completed form by March 1, 2016 to:
Manitoba Local Government
Municipal Finance and Advisory Services
508 – 800 Portage Avenue
Winnipeg MB R3G 0N4
Fax: (204) 948-2780