Agenda – Executive Policy Committee – June 10, 2015

AUDIT COMMITTEE

Item No. 1 Review of 2014 Consolidated Financial Statements

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Audit Committee approve the attached consolidated financial statements of The City of Winnipeg for the year ended December 31, 2014 and direct the Chief Financial Officer to submit these to Council for information, and

2. That Audit Committee receive as information the attached Audit Findings Report prepared by KPMG LLP.

ADMINISTRATIVE REPORT

Title: **Annual Consolidated Financial Statements of The City of Winnipeg, for the year ended December 31, 2014**

Critical Path: **Audit Committee**

AUTHORIZATION

Author	Department Head	CFO	CAO/COO
P. Olafson	Mike Ruta	Mike Ruta	M. Jack COO

RECOMMENDATIONS

1. That Audit Committee approve the attached consolidated financial statements of The City of Winnipeg for the year ended December 31, 2014 and direct the Chief Financial Officer to submit these to Council for information, and
2. That Audit Committee receive as information the attached Audit Findings Report prepared by KPMG LLP

REASON FOR THE REPORT

Section 100(i) of *The City of Winnipeg Charter* requires the Chief Financial Officer to submit to Council, within six months of the fiscal year-end of the City, a report on the financial position of the City for the end of its fiscal year. Further, under section 100(j), the Chief Financial Officer will submit that report to the Province of Manitoba, also within six months of the fiscal year-end.

EXECUTIVE SUMMARY

This report presents the City's 2014 consolidated financial statements that demonstrate responsible fiscal planning while making quality of life improvements for the citizens of Winnipeg.

Council-approved investments in capital assets totaled $518 million in 2014. Major infrastructure projects such as the Waverley West Arterial Roads, Charleswood Library and the Osborne Transit Bus Parking and Servicing Garage were completed this past year, as well as the rehabilitation and new construction of numerous local and regional streets. The new Winnipeg Police Service Headquarters and RBC Convention Centre Expansion are also well underway.

While investment in City infrastructure continues to be a priority, the City has achieved a disciplined balance for capital spending with increased revenues and responsible long-term borrowing. The City's credit ratings affirm solid fiscal performance (Standard and Poor's as AA; Moody's Investors Services as Aa1.)

IMPLICATIONS OF THE RECOMMENDATIONS

The City will meet these requirements of *The City of Winnipeg Charter.*

HISTORY

The City of Winnipeg annually prepares a set of consolidated financial statements, including notes and schedules thereto. These are prepared in accordance with Canadian public sector accounting standards recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. KPMG LLP will be issuing an unqualified audit opinion on the consolidated financial statements.

The City's 2014 consolidated financial statements reflect the financial position and the results of operations of The City of Winnipeg, which includes organizations controlled by the City. They clearly report on Council's priorities to invest in city streets and public safety.

This past year, the City invested $518 million in its tangible capital assets, including capitalizing $149 million in completed roads and bridges. Construction resulted in important new facilities such as the Waverley West Arterial Roads, Charleswood Library and the Osborne Transit Bus Parking and Servicing Garage. The new Winnipeg Police Service Headquarters and RBC Convention Centre are also well underway.

Overall, the City's consolidated revenues (excluding other revenues) were $1.442 billion, an increase of $46 million over 2013, while consolidated expenses totaled $1.504 billion, an increase of $107 million. This results in a deficit of $62 million before capital-related revenues.

Revenues increased, in part, due to assessment growth and a 2.95% tax increase in 2014, resulting in an increase in tax revenues of $29 million over the previous year. With 1% of that increase devoted to funding the new Regional Street Renewal Reserve and 1% to the already established Local Street Renewal Reserve, the remainder of the tax increase was applied to tax-supported operations in part addressing inflationary pressures in service costs, including protection and community services expenses. Higher expenses for police and fire paramedic services largely contributed to the $29 million increase to that expense.

Growing amortization expenses and unfunded liabilities largely contributed to the reported $62 million deficit before capital-related revenues. The consolidated financial statements are prepared under Canadian public sector accounting standards which present a complete accounting of these expenses.

The overall annual surplus of $213 million is attributable to government transfers and developer contributions-in-kind in support of the City's ongoing investment in tangible capital assets. This

revenue does not produce cash resources for the City's general operations. It represents amounts that have been invested in the City's tangible capital assets.

The financial statements also include a consolidated budget. This disclosure is required by the aforementioned Canadian public accounting standards and is another source of transparency and accountability for governments. For 2014, the consolidated annual surplus exceeded budget by $62 million. This variance is due mainly to greater government transfers associated with tangible capital asset acquisitions.

FINANCIAL IMPACT

Financial Impact Statement **Date:** May 26, 2015

Project Name:
Annual Consolidated Financial Statements of The City of Winnipeg, for the year ended December 31, 2014

COMMENTS:

This report if prepared for information purposes.

Original signed by Paul Olafson

Corporate Controller

CONSULTATION

All City of Winnipeg Departments and Agencies (in preparing the consolidated financial statements)

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity Direction 1 Provide Efficient and Focused Civic Administration and Governance

This report supports demonstration of accountability by the City's public service through reporting

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller's
Prepared by: Paul Olafson
Date: May 26, 2015
File Name: 2014 Year End



2014 Consolidated Financial Statements



2014 Audit Findings Report