Minutes – Executive Policy Committee – May 11, 2016

AUDIT COMMITTEE

Item No. 1 Annual Consolidated Financial Statements – Year ended December 31, 2015

EXECUTIVE POLICY COMMITTEE DECISION:

The Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendation of the Winnipeg Public Service:

1. That the consolidated financial statements of The City of Winnipeg for the year ended December 31, 2015 be approved, and that the Chief Financial Officer be directed to submit these to Council with the City's Annual Report for information.

2. That the Audit Findings Report prepared by KPMG LLP be received as information.

DECISION MAKING HISTORY:

Moved by Councillor Morantz,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

ADMINISTRATIVE REPORT

Title: **Annual Consolidated Financial Statements of The City of Winnipeg, for the year ended December 31, 2015**

Critical Path: **Audit Committee**

AUTHORIZATION

Author	Department Head	CFO	CAO
P. Olafson	M. Ruta	M. Ruta	D. McNeil

RECOMMENDATIONS

1. That Audit Committee approves the attached consolidated financial statements of The City of Winnipeg for the year ended December 31, 2015 and directs the Chief Financial Officer to submit these to Council with the City's Annual Report for information, and
2. That Audit Committee receives 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 2015 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 $558 million in 2015. Major infrastructure projects such as the Winnipeg Police Services Headquarters and the expanded RBC Convention Centre were placed into service this past year, as well as numerous rehabilitated and newly constructed of local and regional streets. The Plessis Road Underpass is 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 Aa2.)

IMPLICATIONS OF THE RECOMMENDATIONS

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

HISTORY/DISCUSSION

The City of Winnipeg annually prepares 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 Chartered Professional Accountants of Canada. KPMG LLP will be issuing an unqualified audit opinion on the consolidated financial statements.

The City's 2015 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 the community.

This past year, the City invested $558 million in its tangible capital assets, including placing into service roads and bridges totaling $208 million. Construction resulted in important new facilities being placed into service during the year such as the new Winnipeg Police Service Headquarters and the expanded RBC Convention Centre. The Plessis Road Underpass is also well underway, with two lanes opened to traffic during the year.

Overall, the City's consolidated revenues (excluding other revenues) remained unchanged from the previous year at $1.443 billion. Consolidated expenses totaled $1.486 billion, a decrease of $18 million from 2014. Overall, the financial statements report a deficit (revenues less than expenses) of $43 million before capital-related revenues.

Tax revenues did increase $20 million, due in part to assessment growth and a 2.3% tax increase. With 2% of that increase devoted to equally fund the Regional Street Renewal Reserve and the Local Street Renewal Reserve, the remainder of the tax increase was applied to tax-supported operating service costs, including protection and community services expenses. Higher expenses for police and fire paramedic services largely contributed to the $22 million increase to that expense.

Consolidated revenues also Increased as a result of increased sewer and water rates, along with higher solid waste tipping and waste diversion fees contributing to the $19 million increase in sales of services and regulatory fees.

These revenue increases were offset by a decrease in land sales from the previous year.

In addition to the aforementioned increased police and fire paramedic services expenses, expenses associated with growing capital asset amortization and unfunded liabilities contributed to the reported $43 million deficit before capital-related revenues. Expense reductions are noted in utility operations and public works, the result of the more moderate winter conditions experienced this past fiscal year. The previous year's winter resulted in significant expenses for frozen services, watermain repairs, snow clearing and ice control.

The overall annual surplus of $269 million is attributable to government transfers and contributed tangible capital assets. This revenue does not produce cash resources for the City's general operations. It represents amounts received and 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 2015, the consolidated annual surplus exceeded budget by $55 million. This variance is due mainly to greater contributed tangible capital assets.

The City's net financial liabilities have grown from $517 million to $585 million. Net financial liabilities are an indicator of how much a government will be relying on future revenues to fund current services and infrastructure. Most of this year's increase is attributable to a $60 million debenture issue. The funds from this issue were used for streets and facilities including the soccer complex being constructed at the Garden City Community Centre, the expansion of the Winnipeg Convention Centre and Plessis Road Underpass project.

FINANCIAL IMPACT

Financial Impact Statement **Date:** May 5, 2016

Project Name:
Annual Consolidated Financial Statements of The City of Winnipeg, for the year ended December 31, 2015

COMMENTS:

This report if preapred 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 5, 2016
File Name: 2015 Year End



2015 Consolidated Financial Statements



Audit Findings Report