Agenda – Executive Policy Committee – May 10, 2017

AUDIT COMMITTEE

Item No. 1 Annual Consolidated Financial Statements of The City of Winnipeg, for the year ended December 31, 2016

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, 2016 and direct the Chief Financial Officer to submit these to Council with the City's Annual Report 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, 2016

Critical Path: Audit Committee

AUTHORIZATION

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

EXECUTIVE SUMMARY

This report presents the City's 2016 consolidated financial statements that demonstrate fiscally prudent, responsible budgets while making quality of life improvements for the citizens of Winnipeg.

Council-approved investments in capital assets totaled $476 million in 2016. Construction resulted in important new facilities being placed into service during the year such as the Plessis Road Underpass, as well as numerous rehabilitated and newly constructed local and regional streets. The Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project 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), citing the City's "disciplined fiscal planning" and "strong financial management."

RECOMMENDATIONS

1. That Audit Committee approve the attached consolidated financial statements of The City of Winnipeg for the year ended December 31, 2016 and direct the Chief Financial Officer to submit these to Council with the City's Annual Report 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.

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 2016 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 report on Council's priorities to invest in city streets, public transportation and safer, stronger neighborhoods and community amenities.

This past year, the City invested $476 million in its tangible capital assets, including placing into service roads and bridges totaling $142 million. Construction resulted in important new facilities being placed into service during the year such as the Plessis Road Underpass. The Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project is also well underway.

Overall, the City's consolidated revenues (excluding other revenues) totaled $1.497 billion (increase of $75 million from 2015) while consolidated expenses totaled $1.573 billion (increase of $87 million from 2015.) Overall, the financial statements report a deficit (revenues less than expenses) of $76 million before other capital-related revenues.

Tax revenues increased $31 million, due in part to assessment growth and a 2.33% tax increase. With 2% of that increase devoted to equally fund the regional and local streets renewal programs, the remainder of the tax increase is dedicated to fund future payments for the rapid transitway project in progress. Higher frontage levies also contributed to this increase. Sales of services and regulatory fees are $24 million higher than 2015, due in part to increased sewer and water rates and higher permit revenues.

Higher expenses for police and fire paramedic services and grants made to the WSF Soccer North (Garden City Community Centre) complex project largely contributed to the $40 million increase to protection and community services expense. And with significant snowfall experienced in December, higher roadway snow removal and ice control operations contributed to the increased public works expenses of $20 million.

The overall annual surplus of $162 million is attributable to revenue from government transfers and tangible capital asset and other capital contributions. 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 2016, the consolidated annual surplus exceeded budget by $6 million.

The City's net financial liabilities have grown from $585 million to $660 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 an $80 million debenture issue. The funds from this issue were used to fund a variety of infrastructure including the South End Sewage Treatment Plant upgrades, 4R depots, library redevelopments, Waverley Street underpass and regional and local street renewals.

FINANCIAL IMPACT

Financial Impact Statement **Date:** April 28, 2017

Project Name:

Annual Consolidated Financial Statements of the City of Winnipeg, for the year ended December 31, 2016.

COMMENTS:

This report is for information purposes.

Approved by Paul Olafson, CPA, CA

Corporate Controller

CONSULTATION

This Report has been prepared in consultation with:

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: April 28, 2017
File No: 2016 Year End

Attachments:



2016 Audited Consolidated Financia



KPMG Audit Findings Report