Financial Statements of

THE CITY OF WINNIPEG -
GOLF SERVICES -
SPECIAL OPERATING AGENCY

Year ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The City of Winnipeg - Golf Services - Special Operating Agency, which comprise the statement of financial position as at December 31, 2015 and the statements of operations and accumulated surplus, cash flows and change in net financial liabilities for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The City of Winnipeg - Golf Services - Special Operating Agency as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

April 29, 2016

Winnipeg, Canada

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2015	2014
FINANCIAL ASSETS		
Accounts receivable (Note 3)	**$ 278**	$ 309
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 4)	**7,055**	7,656
Accounts payable and accrued liabilities	**57**	81
Deferred revenue	**92**	66
Debt (Note 5)	**2,900**	2,963
Accrued employee benefits (Note 6a)	**166**	152
	10,270	10,918
NET FINANCIAL LIABILITIES	**(9,992)**	(10,609)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**22,787**	22,683
Inventories	**43**	40
	22,830	22,723
ACCUMULATED SURPLUS (Note 8)	**$ 12,838**	$ 12,114

Commitments (Note 10)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31
(in thousands of dollars)

	Budget 2015	Actual 2015	Actual 2014
REVENUES			
Green fees	**$ 1,901**	**$ 1,585**	$ 1,407
Transfer from The City of Winnipeg - General Revenue Fund	**750**	**970**	150
Equipment rentals	**368**	**355**	305
Net revenue from leasing operations	**264**	**307**	268
Transfer from The City of Winnipeg - Golf Course Reserve Fund	**206**	**168**	95
Other	**37**	**86**	35
Merchandise sales	**42**	**58**	43
Concessions	**51**	**36**	43
Transfer from The City of Winnipeg - Contributions in Lieu of Land Dedication Reserve Fund	**-**	**30**	25
Debt forgiven	**-**	**-**	844
Gain on sale of tangible capital assets	**-**	**-**	24
Total Revenues	**3,619**	**3,595**	3,239
EXPENSES			
Salaries and employee benefits (Note 6)	**1,441**	**1,353**	1,241
Services (Note 9)	**619**	**704**	536
Amortization	**194**	**217**	209
Supplies	**225**	**208**	171
Other	**29**	**188**	40
Interest (Notes 4 and 5)	**244**	**51**	80
Total Expenses	**2,752**	**2,721**	2,277
Annual Surplus Before Other	**867**	**874**	962
OTHER			
Transfer to The City of Winnipeg - Golf Course Reserve Fund	**-**	**150**	132
Annual Surplus	**$ 867**	**724**	830
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**12,114**	11,284
ACCUMULATED SURPLUS, END OF YEAR		**$ 12,838**	$ 12,114

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus	**$ 724**	$ 830
Non-cash charges to operations		
Amortization	**217**	209
Gain on forgiveness of debt	**-**	(844)
Gain on disposal of tangible capital assets	**-**	(24)
Retirement allowance and compensated absences	**12**	8
	953	179
Net change in non-cash working capital balances related to operations	**32**	(41)
Cash provided by operating activities	**985**	138
CAPITAL		
Acquisition of tangible capital assets	**(321)**	(233)
Proceeds on disposal of tangible capital assets	**-**	24
Cash used in capital activities	**(321)**	(209)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(601)**	71
Repayment of debt - The City of Winnipeg	**(63)**	-
Cash (used in) provided by financing activities	**(664)**	71
CASH, BEGINNING OF YEAR	**-**	-
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

For the years ended December 31
(in thousands of dollars)

	Budget 2015	**Actual 2015**	Actual 2014
ANNUAL SURPLUS	**$ 867**	**$ 724**	$ 830
Amortization of tangible capital assets	**194**	**217**	209
Acquisition of tangible capital assets	**(206)**	**(321)**	(233)
Change in inventories	**-**	**(3)**	(40)
Proceeds on disposal of tangible capital assets	**-**	**-**	24
Gain on disposal of tangible capital assets	**-**	**-**	(24)
DECREASE IN NET FINANCIAL LIABILITIES	**855**	**617**	766
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(10,424)**	**(10,609)**	(11,375)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (9,569)**	**$ (9,992)**	$ (10,609)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Status of Golf Services - Special Operating Agency

On February 23, 2000, City Council directed that a Business Plan and Operating Charter for Golf Services - Special Operating Agency (the "Agency") be prepared and further that the municipal golf course operations be realigned under the purview of the Planning, Property and Development Department.

The Agency manages the golf courses operated by The City of Winnipeg and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to The City of Winnipeg on golf operations and ensure the long-term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

2. Significant Accounting Policies

The 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 accounting

The 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 recorded as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

b) Deferred revenue

Sales of prepaid passes that have not been redeemed are deferred and recognized as revenue in the year in which the rounds are played.

c) Employee benefit plan

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 retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits 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. The liabilities are discounted using current interest rates on long-term bonds.

2. Significant Accounting Policies (continued)

d) 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 deficiency of revenues over expenses, provides the change in financial liabilities for the year.

i) Tangible capital assets

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by The City of Winnipeg Assessment and Taxation Department. All golf course improvements incurred up to January 1, 2002 are assumed to be fully amortized. Equipment on hand as at January 1, 2002 is recorded at its estimated net realizable value on that date. Subsequent acquisitions 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 tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Building	25 years
Equipment	5 to 10 years
Golf course improvements	20 years

ii) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value. The amount of inventory expensed during the year was $32 thousand (2014 - $27 thousand).

e) Revenue recognition

Green fees and equipment rentals income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product. Income from prepaid passes is recognized in the year in which the rounds are played.

f) 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, and the useful life of tangible capital assets. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

3. Accounts Receivable

	2015	2014
Trade accounts receivable	**$ 428**	$ 309
Allowance for doubtful accounts	**(150)**	-
	$ 278	$ 309

4. Due to The City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2015 effective interest rate was 0.4% (2014 - 0.9%).

Interest paid to The City of Winnipeg - General Revenue Fund was $51 thousand (2014 - $80 thousand).

5. Debt

	2015	2014
The City of Winnipeg - General Revenue Fund		
Start-up loan, non-interest bearing	**$ 2,900**	$ 2,963

a) Principal repayments due within the next five years and thereafter are as follows:

2016	$ 34
2017	36
2018	39
2019	41
2020	43
Thereafter	2,707
	$ 2,900

6. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2015	2014
Retirement allowance - accrued liability	**$ 126**	$ 123
Vacation	**25**	23
Compensated absences	**15**	6
	$ 166	$ 152

Under the retirement allowance plan, 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 15.3 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 Agency measures its accrued retirement allowance obligations as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2014 calculated as of July 31, 2014. The results of this valuation were extrapolated to the financial reporting date of December 31, 2015 using year-end assumptions.

Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

6. Accrued Employee Benefits (continued)

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

	2015		2014	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 92**	**$ 72**	$ 104	$ 40
Current service cost	**6**	**10**	6	2
Interest cost	**3**	**2**	4	1
Benefit payments	**-**	**(10)**	-	(5)
Amortization of net actuarial (gain) loss	**(16)**	**2**	(22)	34
Balance, end of year	**85**	**76**	92	72
Unamortized net actuarial gain (loss)	**41**	**(61)**	31	(66)
Accrued benefit liability	**$ 126**	**$ 15**	$ 123	$ 6
Benefit expense consists of the following:				
Current service cost	**$ 6**	**$ 10**	$ 6	$ 2
Interest cost	**3**	**2**	4	1
Amortization of net actuarial (gain) loss	**(6)**	**7**	(4)	4
	$ 3	**$ 19**	$ 6	$ 7
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 123**	**$ 6**	$ 117	$ 4
Benefits expense	**3**	**19**	6	7
Benefits payments	**-**	**(10)**	-	(5)
Balance, end of year	**$ 126**	**$ 15**	$ 123	$ 6

The significant actuarial assumptions adopted in measuring the retirement allowance and compensated absences obligations for the year ended December 31 are as follows:

	2015	2014
Valuation interest rate	**2.8%**	2.9%
General increases in pay	**2.5%**	2.5%

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.

6. Accrued Employee Benefits (continued)

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $69 thousand (2014 - $66 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2015 and it has an actuarial surplus.

7. Tangible Capital Assets

	Net Book Value	
	2015	2014
Land	**$ 20,376**	$ 20,376
Building	**1,141**	1,117
Golf course improvements	**914**	810
Equipment	**356**	380
	$ 22,787	$ 22,683

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

8. Accumulated Surplus

	Budget 2015	**Actual 2015**	Actual 2014
Invested in tangible capital assets	**$ 2,104**	**$ 2,213**	$ 2,109
Contributed surplus	**20,574**	**20,574**	20,574
Operating	**(9,546)**	**(9,949)**	(10,569)
	$ 13,132	**$ 12,838**	$ 12,114

9. Related Party Transactions

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

a) An amount of $4 thousand (2014 - $10 thousand) has been charged to City of Winnipeg Departments for miscellaneous services;

b) An amount of $9 thousand (2014 - $20 thousand) has been charged by City of Winnipeg Departments for miscellaneous services;

c) An amount of $167 thousand (2014 - $125 thousand) has been charged by The City of Winnipeg - Municipal Accommodations Fund for services provided at the various golf courses;

9. Related Party Transactions (continued)

d) An amount of $132 thousand (2014 - $81 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance and rental on vehicles and equipment owned/leased by the Agency.

10. Commitments

The Agency has entered into a lease agreement with a third party for the lease of a building facility for a 25 year term until 2040. Future minimum annual lease payments are as follows:

	Operating Leases
2016	$ 41
2017	41
2018	41
2019 and thereafter	867
	$ 990

11. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

THE CITY OF WINNIPEG **Schedule 1**
GOLF SERVICES - SPECIAL OPERATING AGENCY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Building	Equipment	Golf Course Improvements	Total 2015	Total 2014
Cost						
Balance, beginning of year	**$ 20,376**	**$ 2,300**	**$ 1,273**	**$ 1,187**	**$ 25,136**	$ 25,327
Add:						
Additions during the year	**-**	**117**	**36**	**168**	**321**	233
Less:						
Disposals during the year	**-**	**-**		**-**	**-**	(424)
Balance, end of year	**20,376**	**2,417**	**1,309**	**1,355**	**25,457**	25,136
Accumulated amortization						
Balance, beginning of year	**-**	**1,183**	**893**	**377**	**2,453**	2,668
Add:						
Amortization	**-**	**94**	**60**	**63**	**217**	209
Less:						
Accumulated amortization on disposals	**-**	**-**		**-**	**-**	(424)
Balance, end of year	**-**	**1,277**	**953**	**440**	**2,670**	2,453
Net Book Value of Tangible Capital Assets	**$ 20,376**	**$ 1,140**	**$ 356**	**$ 915**	**$ 22,787**	$ 22,683