Financial Statements of

THE CITY OF WINNIPEG -
GOLF SERVICES -
SPECIAL OPERATING AGENCY

Year ended December 31, 2016

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

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, 2016 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, 2016, 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

May 15, 2017

Winnipeg, Canada

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2016	2015
FINANCIAL ASSETS		
Accounts receivable (Note 3)	**$ 160**	$ 278
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 4)	**6,687**	7,055
Accounts payable and accrued liabilities	**99**	57
Deferred revenue	**95**	92
Debt (Note 5)	**2,866**	2,900
Accrued employee benefits (Note 6a)	**164**	166
	9,911	10,270
NET FINANCIAL LIABILITIES	**(9,751)**	(9,992)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**22,862**	22,787
Inventories	**47**	43
	22,909	22,830
ACCUMULATED SURPLUS (Note 8)	**$ 13,158**	$ 12,838

Commitments and Contingencies (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 2016	Actual 2016	Actual 2015
REVENUES			
Green fees	**$ 1,737**	**$ 1,509**	$ 1,585
Transfer from The City of Winnipeg - General Revenue Fund	**750**	**750**	970
Equipment rentals	**317**	**340**	355
Net revenue from leasing operations	**247**	**309**	307
Transfer from The City of Winnipeg - Golf Course Reserve Fund	**270**	**250**	168
Transfer from The City of Winnipeg - Contributions in Lieu of Land Dedication Reserve Fund	**-**	**57**	30
Merchandise sales	**45**	**48**	58
Other	**44**	**46**	86
Concessions	**52**	**45**	36
Total Revenues	**3,462**	**3,354**	3,595
EXPENSES			
Salaries and employee benefits (Note 6)	**1,506**	**1,428**	1,353
Services (Note 9)	**605**	**688**	704
Other	**39**	**305**	188
Amortization	**197**	**225**	217
Supplies	**182**	**210**	208
Interest (Notes 4 and 5)	**73**	**38**	51
Total Expenses	**2,602**	**2,894**	2,721
Annual Surplus Before Other	**860**	**460**	874
OTHER			
Transfer to The City of Winnipeg - Golf Course Reserve Fund	**148**	**140**	150
Annual Surplus	**$ 712**	**320**	724
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**12,838**	12,114
ACCUMULATED SURPLUS, END OF YEAR		**$ 13,158**	$ 12,838

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)

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus	**$ 320**	$ 724
Non-cash charges to operations		
Amortization	**225**	217
Retirement allowance and compensated absences	**(3)**	12
	542	953
Net change in non-cash working capital balances related to operations	**160**	32
Cash provided by operating activities	**702**	985
CAPITAL		
Acquisition of tangible capital assets	**(300)**	(321)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(368)**	(601)
Repayment of debt - The City of Winnipeg	**(34)**	(63)
Cash used in financing activities	**(402)**	(664)
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 2016	**Actual 2016**	Actual 2015
ANNUAL SURPLUS	**$ 712**	**$ 320**	$ 724
Amortization of tangible capital assets	**197**	**225**	217
Acquisition of tangible capital assets	**(270)**	**(300)**	(321)
Change in inventories	**-**	**(4)**	(3)
DECREASE IN NET FINANCIAL LIABILITIES	**639**	**241**	617
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(9,948)**	**(9,992)**	(10,609)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (9,309)**	**$ (9,751)**	$ (9,992)

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, 2016
(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 $31 thousand (2015 - $32 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

	2016	2015
Trade accounts receivable	**$ 579**	$ 428
Allowance for doubtful accounts	**(419)**	(150)
	$ 160	$ 278

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, 2016 effective interest rate was 0.4% (2015 - 0.4%).

Interest paid to The City of Winnipeg - General Revenue Fund was $38 thousand (2015 - $51 thousand).

5. Debt

	2016	2015
The City of Winnipeg - General Revenue Fund		
Start-up loan, non-interest bearing	**$ 2,866**	$ 2,900

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

2017	$ 36
2018	39
2019	41
2020	43
2021	46
Thereafter	2,661
	$ 2,866

6. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2016	2015
Retirement allowance - accrued liability	**$ 111**	$ 126
Vacation	**26**	25
Compensated absences	**27**	15
	$ 164	$ 166

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 13.5 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, 2016 calculated as of July 31, 2014. The results of this valuation were extrapolated to the financial reporting date of December 31, 2016 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:

	2016		2015	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 85**	**$ 76**	$ 92	$ 72
Current service cost	**6**	**11**	6	10
Interest cost	**2**	**2**	3	2
Benefit payments	**(16)**	**(9)**	-	(10)
Amortization of net actuarial loss (gain)	**1**	**(3)**	(16)	2
Balance, end of year	**78**	**77**	85	76
Unamortized net actuarial gain (loss)	**33**	**(50)**	41	(61)
Accrued benefit liability	**$ 111**	**$ 27**	$ 126	$ 15
Benefit expense consists of the following:				
Current service cost	**$ 6**	**$ 11**	$ 6	$ 10
Interest cost	**2**	**2**	3	2
Amortization of net actuarial (gain) loss	**(7)**	**8**	(6)	7
	$ 1	**$ 21**	$ 3	$ 19
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 126**	**$ 15**	$ 123	$ 6
Benefits expense	**1**	**21**	3	19
Benefits payments	**(16)**	**(9)**	-	(10)
Balance, end of year	**$ 111**	**$ 27**	$ 126	$ 15

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

	2016	2015
Valuation interest rate	**3.0%**	2.8%
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, $86 thousand (2015 - $69 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, 2016 and it has an actuarial surplus.

7. Tangible Capital Assets

	Net Book Value	
	2016	2015
Land	**$ 20,376**	$ 20,376
Building	**1,136**	1,141
Golf course improvements	**1,024**	914
Equipment	**326**	356
	$ 22,862	$ 22,787

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

8. Accumulated Surplus

	Budget 2016	**Actual 2016**	Actual 2015
Invested in tangible capital assets	**$ 2,320**	**$ 2,288**	$ 2,213
Contributed surplus	**20,574**	**20,574**	20,574
Operating	**(9,268)**	**(9,704)**	(9,949)
	$ 13,626	**$ 13,158**	$ 12,838

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 $5 thousand (2015 - $4 thousand) has been charged to City of Winnipeg Departments for miscellaneous services;

b) An amount of $34 thousand (2015 - $9 thousand) has been charged by City of Winnipeg Departments for miscellaneous services. No amount (2015 - $nil) has been charged for the cost of financial, legal, 311, information technology and human resource support services provided by City of Winnipeg Departments.

9. Related Party Transactions (continued)

c) An amount of $393 thousand (2015 - $267 thousand) has been charged by The City of Winnipeg - Municipal Accommodations Fund for services provided at the various golf courses;

d) An amount of $167 thousand (2015 - $132 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 and Contingencies

a) 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
2017	$ 41
2018	41
2019	41
2020 and thereafter	826
	$ 949

b) Legal obligations

As part of the normal course of operations, lawsuits are pending against the Agency. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2016 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the financial statements. Where the occurrence of future events is considered undeterminable, no amount has been accrued in the financial statements.

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Building	Equipment	Golf Course Improvements	Total 2016	Total 2015
Cost						
Balance, beginning of year	**$ 20,376**	**$ 2,417**	**$ 1,309**	**$ 1,355**	**$ 25,457**	$ 25,136
Add:						
Additions during the year	**-**	**94**	**25**	**181**	**300**	321
Balance, end of year	**20,376**	**2,511**	**1,334**	**1,536**	**25,757**	25,457
Accumulated amortization						
Balance, beginning of year	**-**	**1,277**	**953**	**440**	**2,670**	2,453
Add:						
Amortization	**-**	**98**	**55**	**72**	**225**	217
Balance, end of year	**-**	**1,375**	**1,008**	**512**	**2,895**	2,670
Net Book Value of Tangible Capital Assets	**$ 20,376**	**$ 1,136**	**$ 326**	**$ 1,024**	**$ 22,862**	$ 22,787