Financial Statements of

# THE CITY OF WINNIPEG - GOLF SERVICES - SPECIAL OPERATING AGENCY

Year ended December 31, 2017

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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, 2017 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 consolidated 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, 2017, 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 3, 2018

Winnipeg, Canada

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(in thousands of dollars)*

| | **2017** | 2016 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Accounts receivable (Note 3) | **$ 134** | $ 160 |
| ***LIABILITIES*** | | |
| Due to The City of Winnipeg - General Revenue Fund (Note 4) | **6,495** | 6,687 |
| Accounts payable and accrued liabilities | **109** | 99 |
| Deferred revenue | **112** | 95 |
| Debt (Note 5) | **2,830** | 2,866 |
| Accrued employee benefits (Note 6a) | **172** | 164 |
| | **9,718** | 9,911 |
| ***NET FINANCIAL LIABILITIES*** | **(9,584)** | (9,751) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 7) | **22,960** | 22,862 |
| Inventories | **47** | 47 |
| | **23,007** | 22,909 |
| ***ACCUMULATED SURPLUS (Note 8)*** | **$ 13,423** | $ 13,158 |

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 2017 | Actual 2017 | Actual 2016 |
|---|---|---|---|
| ***REVENUES*** | | | |
| Green fees | **$ 1,915** | **$ 1,455** | $ 1,509 |
| Transfer from The City of Winnipeg - General Revenue Fund | **462** | **462** | 750 |
| Transfer from The City of Winnipeg - Golf Course Reserve Fund | **451** | **344** | 250 |
| Equipment rentals | **369** | **334** | 340 |
| Net revenue from leasing operations | **209** | **172** | 309 |
| Other | **48** | **59** | 46 |
| Merchandise sales | **60** | **54** | 48 |
| Concessions | **39** | **39** | 45 |
| Transfer from The City of Winnipeg - Contributions in Lieu of Land Dedication Reserve Fund | **50** | **34** | 57 |
| Total Revenues | **3,603** | **2,953** | 3,354 |
| ***EXPENSES*** | | | |
| Salaries and employee benefits (Note 6) | **1,557** | **1,288** | 1,428 |
| Services (Note 9) | **725** | **809** | 688 |
| Supplies | **220** | **261** | 210 |
| Amortization | **232** | **238** | 225 |
| Interest (Notes 4 and 5) | **36** | **49** | 38 |
| Other | **203** | **43** | 305 |
| Total Expenses | **2,973** | **2,688** | 2,894 |
| Annual Surplus Before Other | **630** | **265** | 460 |
| ***OTHER*** | | | |
| Transfer to The City of Winnipeg - Golf Course Reserve Fund | **-** | **-** | 140 |
| Annual Surplus | **$ 630** | **265** | 320 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **13,158** | 12,838 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 13,423** | $ 13,158 |

*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)*

| | **2017** | 2016 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Annual Surplus | **$ 265** | $ 320 |
| Non-cash charges to operations | | |
| Amortization | **238** | 225 |
| Retirement allowance and compensated absences | **3** | (3) |
| | **506** | 542 |
| Net change in non-cash working capital balances related to operations | **58** | 160 |
| Cash provided by operating activities | **564** | 702 |
| ***CAPITAL*** | | |
| Acquisition of tangible capital assets | **(336)** | (300) |
| ***FINANCING*** | | |
| Change in due to The City of Winnipeg - General Revenue Fund | **(192)** | (368) |
| Repayment of debt - The City of Winnipeg | **(36)** | (34) |
| Cash used in financing activities | **(228)** | (402) |
| ***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 2017** | **Actual 2017** | Actual 2016 |
|---|---|---|---|
| ***ANNUAL SURPLUS*** | **$ 630** | **$ 265** | $ 320 |
| Amortization of tangible capital assets | **232** | **238** | 225 |
| Acquisition of tangible capital assets | **(180)** | **(336)** | (300) |
| Change in inventories | **(1)** | **-** | (4) |
| ***DECREASE IN NET FINANCIAL LIABILITIES*** | **681** | **167** | 241 |
| ***NET FINANCIAL LIABILITIES, BEGINNING OF YEAR*** | **(9,389)** | **(9,751)** | (9,992) |
| ***NET FINANCIAL LIABILITIES, END OF YEAR*** | **$ (8,708)** | **$ (9,584)** | $ (9,751) |

*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, 2017*
*(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 annual surplus, 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 $42 thousand (2016 - $31 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.

## 2. *Significant Accounting Policies (continued)*

### g) Accounting policy changes

The Public Sector Accounting Board issued updated standards, PS 3210 Asset, PS 3320 Contingent Assets and PS 3390 Contractual Rights. The new standards apply to the Agency for the fiscal year beginning January 1, 2018. As permitted in the standards, the Agency adopted these standards for the year ended December 31, 2017 and thus, they have been utilized for the preparation of these financial statements. As a result of this adoption, no material impacts on the financial statements occurred.

## 3. *Accounts Receivable*

| | **2017** | 2016 |
|---|---|---|
| Trade accounts receivable | **$ 553** | $ 579 |
| Allowance for doubtful accounts | **(419)** | (419) |
| | **$ 134** | $ 160 |

## 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, 2017 effective interest rate was 0.85% (2016 - 0.35%).

Interest paid to The City of Winnipeg - General Revenue Fund was $49 thousand (2016 - $38 thousand).

## 5. *Debt*

| | **2017** | 2016 |
|---|---|---|
| The City of Winnipeg - General Revenue Fund | | |
| Start-up loan, non-interest bearing | **$ 2,830** | $ 2,866 |

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

| | |
|---|---|
| 2018 | $ 38 |
| 2019 | 41 |
| 2020 | 43 |
| 2021 | 46 |
| 2022 | 49 |
| Thereafter | 2,613 |
| | $ 2,830 |

## *6. Accrued Employee Benefits*

### a) Retirement allowance, vacation and compensated absences

| | **2017** | 2016 |
|---|---|---|
| Retirement allowance - accrued liability | **$ 104** | $ 111 |
| Vacation | **31** | 26 |
| Compensated absences | **37** | 27 |
| | **$ 172** | $ 164 |

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, 2017 calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2017 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:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Retirement allowance** | **Compensated absences** | Retirement allowance | Compensated absences |
| Accrued benefit obligation: | | | | |
| Balance, beginning of year | **$ 78** | **$ 77** | $ 85 | $ 76 |
| Current service cost | **5** | **10** | 6 | 11 |
| Interest cost | **2** | **2** | 2 | 2 |
| Benefit payments | **(8)** | **(9)** | (16) | (9) |
| Amortization of net actuarial loss (gain) | **10** | **1** | 1 | (3) |
| Balance, end of year | **87** | **81** | 78 | 77 |
| Unamortized net actuarial gain (loss) | **17** | **(44)** | 33 | (50) |
| Accrued benefit liability | **$ 104** | **$ 37** | $ 111 | $ 27 |
| Benefit expense consists of the following: | | | | |
| Current service cost | **$ 5** | **$ 10** | $ 6 | $ 11 |
| Interest cost | **2** | **2** | 2 | 2 |
| Amortization of net actuarial (gain) loss | **(6)** | **7** | (7) | 8 |
| | **$ 1** | **$ 19** | $ 1 | $ 21 |
| Reconciliation of accrued benefit liability: | | | | |
| Balance, beginning of year | **$ 111** | **$ 27** | $ 126 | $ 15 |
| Benefits expense | **1** | **19** | 1 | 21 |
| Benefits payments | **(8)** | **(9)** | (16) | (9) |
| Balance, end of year | **$ 104** | **$ 37** | $ 111 | $ 27 |

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

| | **2017** | 2016 |
|---|---|---|
| Valuation interest rate | **3.0%** | 3.0% |
| 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, $83 thousand (2016 - $86 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, 2017 and it has an actuarial surplus.

## 7. *Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2017** | 2016 |
| Land | **$ 20,376** | $ 20,376 |
| Building | **1,283** | 1,136 |
| Golf course improvements | **1,018** | 1,024 |
| Equipment | **283** | 326 |
| | **$ 22,960** | $ 22,862 |

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

## 8. *Accumulated Surplus*

| | Budget 2017 | Actual 2017 | Actual 2016 |
|---|---|---|---|
| Invested in tangible capital assets | **$ 2,663** | **$ 2,386** | $ 2,288 |
| Allocated equity | **587** | **169** | - |
| Contributed surplus | **20,574** | **20,574** | 20,574 |
| Operating | **(9,748)** | **(9,706)** | (9,704) |
| | **$ 14,076** | **$ 13,423** | $ 13,158 |

## 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 $6 thousand (2016 - $5 thousand) has been charged to City of Winnipeg Departments for miscellaneous services;

b) An amount of $39 thousand (2016 - $34 thousand) has been charged by City of Winnipeg Departments for miscellaneous services. No amount (2016 - $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 $474 thousand (2016 - $393 thousand) has been charged by The City of Winnipeg - Municipal Accommodations Fund for services provided at the various golf courses;

d) An amount of $175 thousand (2016 - $167 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 |
|---|---|
| 2018 | $ 41 |
| 2019 | 41 |
| 2020 | 41 |
| 2021 and thereafter | 785 |
| | $ 908 |

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, 2017 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 the 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 2017 | Total 2016 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, beginning of year | **$ 20,376** | **2,511** | **1,334** | **1,536** | **25,757** | $ 25,457 |
| Add: | | | | | | |
| Additions during the year | **-** | **252** | **12** | **72** | **336** | 300 |
| Less: | | | | | | |
| Disposals during the year | **-** | **-** | **(18)** | **-** | **(18)** | - |
| Balance, end of year | **20,376** | **2,763** | **1,328** | **1,608** | **26,075** | 25,757 |
| **Accumulated amortization** | | | | | | |
| Balance, beginning of year | **-** | **1,375** | **1,008** | **512** | **2,895** | 2,670 |
| Add: | | | | | | |
| Amortization | **-** | **105** | **55** | **78** | **238** | 225 |
| Less: | | | | | | |
| Accumulated amortization on disposals | **-** | **-** | **(18)** | **-** | **(18)** | - |
| Balance, end of year | **-** | **1,480** | **1,045** | **590** | **3,115** | 2,895 |
| **Net Book Value of Tangible Capital Assets** | **$ 20,376** | **$ 1,283** | **$ 283** | **$ 1,018** | **$ 22,960** | $ 22,862 |