Financial Statements of

THE CITY OF WINNIPEG - GOLF SERVICES - SPECIAL OPERATING AGENCY

And Independent Auditors' Report thereon

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of The City of Winnipeg - Golf Services - Special Operating Agency (the "Entity"), which comprise the statement of financial position as at December 31, 2019, the statement of operations and accumulated surplus, cash flows and change in net financial liabilities for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

April 30, 2020

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2019	2018
FINANCIAL ASSETS		
Accounts receivable (Note 3)	**$ 121**	$ 129
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 4)	**5,096**	5,941
Accounts payable and accrued liabilities	**133**	84
Deferred revenue	**147**	131
Debt (Note 5)	**2,750**	2,791
Accrued employee benefits (Note 6a)	**128**	111
	8,254	9,058
NET FINANCIAL LIABILITIES	**(8,133)**	(8,929)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**22,716**	22,833
Inventories	**43**	50
Prepaid expenses	**10**	-
	22,769	22,883
ACCUMULATED SURPLUS (Note 8)	**$ 14,636**	$ 13,954

Commitments (Note 10)

Subsequent event (Note 11)

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 2019	Actual 2019	Actual 2018
REVENUES			
Green fees	**$ 1,600**	**$ 1,684**	$ 1,539
Transfer from The City of Winnipeg - General Revenue Fund	**730**	**730**	730
Equipment rentals	**348**	**405**	368
Net revenue from leasing operations	**174**	**188**	179
Merchandise sales	**56**	**59**	51
Concessions	**45**	**42**	41
Transfer from General Capital Fund	**-**	**-**	27
Other	**60**	**45**	75
Total Revenues	**3,013**	**3,153**	3,010
EXPENSES			
Salaries and employee benefits (Note 6)	**1,517**	**1,302**	1,246
Services (Note 9)	**715**	**581**	650
Amortization	**243**	**236**	240
Supplies	**272**	**213**	213
Interest (Notes 4 and 5)	**51**	**95**	89
Other	**45**	**44**	41
Total Expenses	**2,843**	**2,471**	2,479
Annual Surplus	**$ 170**	**682**	531
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**13,954**	13,423
ACCUMULATED SURPLUS, END OF YEAR		**$ 14,636**	$ 13,954

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)

	2019	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus	**$ 682**	$ 531
Non-cash charges to operations		
Amortization	**236**	240
Retirement allowance and compensated absences	**18**	(63)
	936	708
Net change in non-cash working capital balances related to operations	**69**	(2)
Cash provided by operating activities	**1,005**	706
CAPITAL		
Acquisition of tangible capital assets	**(119)**	(113)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(845)**	(554)
Repayment of debt - The City of Winnipeg	**(41)**	(39)
Cash used in financing activities	**(886)**	(593)
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 2019	Actual 2019	Actual 2018
ANNUAL SURPLUS	**$ 170**	**$ 682**	$ 531
Amortization of tangible capital assets	**243**	**236**	240
Acquisition of tangible capital assets	**(88)**	**(119)**	(113)
Change in inventories and prepaid expenses	**(1)**	**(3)**	(3)
DECREASE IN NET FINANCIAL LIABILITIES	**324**	**796**	655
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(9,543)**	**(8,929)**	(9,584)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (9,219)**	**$ (8,133)**	$ (8,929)

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, 2019
(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.

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.

2. Significant Accounting Policies (continued)

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 $50 thousand (2018 - $36 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

	2019	2018
Trade accounts receivable	**$ 540**	$ 548
Allowance for doubtful accounts	**(419)**	(419)
	$ 121	$ 129

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, 2019 effective interest rate was 1.60% (2018 - 1.80%).

Interest paid to The City of Winnipeg - General Revenue Fund was $95 thousand (2018 - $89 thousand).

5. Debt

	2019	2018
The City of Winnipeg - General Revenue Fund		
Start-up loan, non-interest bearing	**$ 2,750**	$ 2,791

5. Debt (continued)

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

2020	$ 43
2021	46
2022	49
2023	51
2024	55
Thereafter	2,506
	$ 2,750

6. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2019	2018
Retirement allowance - accrued liability	**$ 40**	$ 31
Vacation	**32**	33
Compensated absences	**56**	47
	$ 128	$ 111

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 amendments, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 15.3 years (2018 - 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 the actuarial gains or losses occur.

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2019 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.

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

	2019		2018	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	**$ 86**	**$ 83**	$ 87	$ 81
Current service cost	**5**	**11**	6	11
Interest cost	**3**	**3**	3	3
Benefit payments	**-**	**(9)**	(76)	(10)
Amortization of net actuarial loss (gain)	**-**	**3**	66	(2)
Balance, end of year	**94**	**91**	86	83
Unamortized net actuarial loss	**(54)**	**(35)**	(55)	(36)
Accrued benefit liability	**$ 40**	**$ 56**	$ 31	$ 47

6. Accrued Employee Benefits (continued)

Benefit expense consists of the following:				
Current service cost	**$ 5**	**$ 11**	$ 6	$ 11
Interest cost	**3**	**3**	3	3
Amortization of net actuarial loss (gain)	**1**	**4**	(6)	6
	$ 9	**$ 18**	$ 3	$ 20
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 31**	**$ 47**	$ 104	$ 37
Benefits expense	**9**	**18**	3	20
Benefits payments	**-**	**(9)**	(76)	(10)
Balance, end of year	**$ 40**	**$ 56**	$ 31	$ 47

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

	2019	2018
Valuation interest rate	**2.60%**	3.25%
General increases in pay	**2.50%**	2.50%

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.

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, $88 thousand (2018 - $84 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, 2018 and it has an actuarial surplus.

7. Tangible Capital Assets

	Net Book Value	
	2019	2018
Land	**$ 20,376**	$ 20,376
Building	**1,132**	1,193
Golf course improvements	**974**	1,009
Equipment	**234**	255
	$ 22,716	$ 22,833

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

8. Accumulated Surplus

	Budget 2019	Actual 2019	Actual 2018
Invested in tangible capital assets	**$ 2,327**	**$ 2,141**	$ 2,258
Allocated equity	**17**	**240**	179
Contributed surplus	**20,575**	**20,575**	20,575
Operating	**(9,188)**	**(8,320)**	(9,058)
	$ 13,731	**$ 14,636**	$ 13,954

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 (2018 - $5 thousand) has been charged to City of Winnipeg Departments for miscellaneous services;

b) An amount of $32 thousand (2018 - $28 thousand) has been charged by City of Winnipeg Departments for miscellaneous services. No amount (2018 - $nil) has been charged for the cost of financial, legal, 311, information technology and human resource support services provided by City of Winnipeg Departments;

c) An amount of $90 thousand (2018 - $167 thousand) has been charged by The City of Winnipeg - Municipal Accommodations Fund for services provided at the various golf courses;

d) An amount of $155 thousand (2018 - $170 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
2020	$ 24
2021	24
2022	24
2023 and thereafter	423
	$ 495

11. Subsequent Event

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. These events have transpired after the reporting period of these financial statements and have been treated as a non-adjusting subsequent event in these statements. The situation continues to be dynamic and the ultimate duration and magnitude of these events, as well as their financial impact on the 2020 operations is not fully known at this time.

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 2019	Total 2018
Cost						
Balance, beginning of year	**$ 20,376**	**$ 2,783**	**$ 1,348**	**$ 1,681**	**$ 26,188**	$ 26,075
Add:						
Additions during the year	**-**	**51**	**18**	**50**	**119**	113
Less:						
Disposals during the year	**-**	**-**	**-**	**-**	**-**	-
Balance, end of year	**20,376**	**2,834**	**1,366**	**1,731**	**26,307**	26,188
Accumulated amortization						
Balance, beginning of year	**-**	**1,590**	**1,093**	**672**	**3,355**	3,115
Add:						
Amortization	**-**	**112**	**39**	**85**	**236**	240
Less:						
Accumulated amortization on disposals	**-**	**-**	**-**	**-**	**-**	-
Balance, end of year	**-**	**1,702**	**1,132**	**757**	**3,591**	3,355
Net Book Value of Tangible Capital Assets	**$ 20,376**	**$ 1,132**	**$ 234**	**$ 974**	**$ 22,716**	$ 22,833