Financial Statements of

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

And Independent Auditor's Report thereon

Year ended December 31, 2022

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# INDEPENDENT AUDITOR'S 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 - Animal Services - Special Operating Agency (the "Entity"), which comprise the statement of financial position as at December 31, 2022, the statements of operations and accumulated surplus, cash flows and the change in net financial assets 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, 2022, 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 "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our auditor's 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.

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

***Auditor's 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 auditor's 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 auditor's 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 auditor's 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
May 12, 2023

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

## STATEMENT OF FINANCIAL POSITION

*As at December 31*

| | **2022** | 2021 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Cash | **$ 40,032** | $ 50,449 |
| Due from the City of Winnipeg - General Revenue Fund (Note 3) | **3,069,576** | 3,592,507 |
| | **3,109,608** | 3,642,956 |
| ***LIABILITIES*** | | |
| Accounts payable and accrued liabilities | **178,689** | 247,776 |
| Deferred revenue | **1,630,709** | 1,669,539 |
| Vacation and overtime payable | **106,984** | 90,456 |
| Retirement allowances and compensated absences (Note 4a) | **171,000** | 169,000 |
| | **2,087,382** | 2,176,771 |
| ***NET FINANCIAL ASSETS*** | **1,022,226** | 1,466,185 |
| ***NON-FINANCIAL ASSETS*** | | |
| Prepaid expense | **3** | - |
| ***ACCUMULATED SURPLUS (Note 6)*** | **$ 1,022,229** | $ 1,466,185 |

Commitments (Note 7)

*See accompanying notes and schedule to the financial statements*

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

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

*For the years ended December 31*

| | Budget 2022 | Actual 2022 | Actual 2021 |
|---|---|---|---|
| ***REVENUES*** | | | |
| Regulation fees | **$ 2,434,308** | **$ 2,519,330** | $ 2,515,614 |
| Transfer (Note 8) | **771,219** | **371,219** | 1,271,219 |
| Sales of goods and services | **67,300** | **76,947** | 52,384 |
| Government transfers | **27,259** | **28,432** | 27,309 |
| Other revenue | **116,000** | **273,313** | 181,345 |
| Total Revenues | **3,416,086** | **3,269,241** | 4,047,871 |
| ***EXPENSES*** | | | |
| Salaries and employee benefits | **2,056,501** | **1,844,977** | 1,781,081 |
| Grants, transfers and other | **1,005,228** | **959,243** | 837,544 |
| Services (Note 9) | **256,875** | **283,562** | 234,950 |
| Administrative expenses (Note 9) | **227,090** | **227,090** | 226,726 |
| Rent (Note 9) | **205,167** | **205,167** | 205,167 |
| Materials, parts and supplies | **136,328** | **156,872** | 148,794 |
| Debt and finance charges | **38,602** | **41,175** | 50,812 |
| Assets and purchases | **9,229** | **(4,889)** | 12,114 |
| Amortization | **-** | **-** | 4,795 |
| Total Expenses | **3,935,020** | **3,713,197** | 3,501,983 |
| Annual (Deficit)/Surplus | **$ (518,934)** | **(443,956)** | 545,888 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **1,466,185** | 920,297 |
| ***ACCUMULATED SURPLUS, END OF YEAR (Note 6)*** | | **$ 1,022,229** | $ 1,466,185 |

*See accompanying notes and schedule to the financial statements*

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

## STATEMENT OF CASH FLOWS

*For the years ended December 31*

| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | **2022** | 2021 |
|---|---|---|
| ***OPERATING*** | | |
| Annual (Deficit)/Surplus | **$ (443,956)** | $ 545,888 |
| Non-cash charges to operations | | |
| Amortization | **-** | 4,795 |
| Retirement allowances and compensated absences | **2,000** | 14,000 |
| | **(441,956)** | 564,683 |
| Net change in non-cash working capital balances related to operations | **(91,392)** | 104,149 |
| Cash (used in) provided by operating activities | **(533,348)** | 668,832 |
| ***FINANCING*** | | |
| Change in due from The City of Winnipeg - General Revenue Fund | **522,931** | (635,565) |
| (Decrease)/Increase in cash | **(10,417)** | 33,267 |
| ***CASH, BEGINNING OF YEAR*** | **50,449** | 17,182 |
| ***CASH, END OF YEAR*** | **$ 40,032** | $ 50,449 |

*See accompanying notes and schedule to the financial statements*

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

## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

*For the years ended December 31*

| | Budget 2022 | Actual 2022 | Actual 2021 |
|---|---|---|---|
| Annual (Deficit)/Surplus | **$ (518,934)** | **$ (443,956)** | $ 545,888 |
| Amortization of tangible capital assets | **-** | **-** | 4,795 |
| **INCREASE (DECREASE) IN NET FINANCIAL *ASSETS*** | **(518,934)** | **(443,956)** | 550,683 |
| ***NET FINANCIAL ASSETS, BEGINNING OF YEAR*** | **1,466,185** | **1,466,185** | 915,502 |
| ***NET FINANCIAL ASSETS, END OF YEAR*** | **$ 947,251** | **$ 1,022,229** | $ 1,466,185 |

*See accompanying notes and schedule to the financial statements*

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

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2022*

### *1. Description of Business*

Animal Services - Special Operating Agency (the "Agency") commenced operations on January 1, 2000. Goals since the establishment of the Agency have been to become financially self-sustaining to the greatest degree possible and to improve both the services provided to the public and the public's perception of Animal Services.

### *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:

**Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue in the period of which it is earned provided it is measurable and collection is reasonably certain. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

**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 excess of revenues over expenses, provides the change in net financial liabilities for the year.

**Tangible capital assets**

Tangible capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

| | |
|---|---|
| Computer equipment | 25% |
| Furniture and other equipment | 20% |
| Communication radios | 20% |
| Computer Software | 20% |

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

**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.

**Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions in areas such as employee benefits and the useful life of tangiible capital assets. These estimates and assumptions are based on the Agency's best information and judgment and may differ from actual results.

**Budget**

The budget included on the Statement of Operations and Accumulated Surplus and Changes in Net Financial Liabilities is the City Council approved Operating Budget.

## 3. *Due from 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 from" account when they are processed through the bank. Interest is charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account. The December 31, 2022 effective interest rate was 4.2% (2021 - 0.2%).

## 4. *Employee Benefits*

**a) Retirement allowances and compensated absences**

| | **2022** | 2021 |
|---|---|---|
| Retirement allowances - accrued benefit liability | **$ 90,000** | $ 96,000 |
| Compensated absences | **81,000** | 73,000 |
| | **$ 171,000** | $ 169,000 |

Qualifying City of Winnipeg employees are entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). These costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions and experienced gains and losses are amortized on a straight-line basis over 19 years (2021 - 19 years). This 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 liability as at December 31 of each year. An actuarial valuation of the obligation was calculated as of July 31, 2020. The results of this valuation were extrapolated to the financial reporting date of December 31, 2022 using updated assumptions.

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

*4. Employee Benefits (continued)*

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Retirement allowances** | **Compensated absences** | Retirement allowances | Compensated absences |
| Accrued benefit obligation: | | | | |
| Balance, beginning of year | **$ 41,000** | **$ 66,000** | $ 41,000 | $ 61,000 |
| Current service cost | **5,000** | **12,000** | 6,000 | 13,000 |
| Interest cost | **1,000** | **2,000** | 1,000 | 1,000 |
| Benefit payments | **(9,000)** | **(6,000)** | - | (6,000) |
| Net actuarial (gain) | **(2,000)** | **(13,000)** | (7,000) | (3,000) |
| Balance, end of year | **36,000** | **61,000** | 41,000 | 66,000 |
| Unamortized net actuarial gain | **54,000** | **20,000** | 55,000 | 7,000 |
| Accrued benefit liability | **$ 90,000** | **$ 81,000** | $ 96,000 | $ 73,000 |
| Benefit expenses: | | | | |
| Current service cost | **$ 5,000** | **$ 12,000** | $ 6,000 | $ 13,000 |
| Interest cost | **1,000** | **2,000** | 1,000 | 1,000 |
| Amortization of net actuarial (gain) loss | **(3,000)** | **-** | (2,000) | 1,000 |
| | **$ 3,000** | **$ 14,000** | $ 5,000 | $ 15,000 |
| Reconciliation of accrued benefit liability: | | | | |
| Balance, beginning of year | **$ 96,000** | **$ 73,000** | $ 91,000 | $ 64,000 |
| Benefit expense | **3,000** | **14,000** | 5,000 | 15,000 |
| Benefit payments | **(9,000)** | **(6,000)** | - | (6,000) |
| Balance, end of year | **$ 90,000** | **$ 81,000** | $ 96,000 | $ 73,000 |

The significant actuarial assumptions adopted in measuring the accrued benefit liability for the year ended December 31 are as follows:

| | **2022** | 2021 |
|---|---|---|
| Valuation interest rate | **4.50%** | 2.40% |
| General increases in pay | **2.50%** | 2.50% |

**b) Pensions**

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 $142,217 (2021 - $142,529) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2021 and has disclosed an actuarial surplus.

## 5. *Tangible Capital Assets*

As of December 31, 2022, tangible capital assets of the Agency are fully amortized and has $nil net book value. For additional information, see Schedule of Tangible Capital Assets (Schedule 1).

## 6. *Accumulated Surplus*

| | **Actual 2022** | Actual 2021 |
|---|---|---|
| Operating | **$ 1,022,226** | $ 1,466,185 |

## 7. *Commitments*

The Agency and the Winnipeg Humane Society entered into a contract effective January 1, 2022 to December 31, 2024. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agreed to pay the Winnipeg Humane Society the sum of $822,273 per year.

## 8. *Transfer from The City of Winnipeg*

The transfers from the City of Winnipeg over the past five years are as follows:

| | |
|---|---|
| 2018 | $ 1,295,396 |
| 2019 | 771,219 |
| 2020 | 771,219 |
| 2021 | 1,271,219 |
| 2022 | 371,219 |

## 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:

Included in the Agency's expenditures is a transfer to The City of Winnipeg Municipal Accommodations Fund for rent of $205,167 (2021 - $205,167) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $146,860 (2021 - $146,860). Also included are lease costs of $65,581 (2021 - $57,005) to The City of Winnipeg Fleet Management - Special Operating Agency and $80,230 (2021 - $79,866) for general government charges that have been paid to the City of Winnipeg - General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

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

**Schedule 1**

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

*As at December 31*

| | Computer Equipment | Furniture and Other Equipment | Communication Radios | Computer Software | 2022 Total | 2021 Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, Beginning of year | **$ 176,850** | **121,375** | **52,911** | **66,818** | **$ 417,954** | $ 417,954 |
| Add: | | | | | | |
| Additions during the year | **-** | **-** | **-** | **-** | **-** | - |
| Less: | | | | | | |
| Disposals during the year | **-** | **-** | **-** | **-** | **-** | - |
| Balance, end of year | **176,850** | **121,375** | **52,911** | **66,818** | **417,954** | 417,954 |
| **Accumulated amortization** | | | | | | |
| Balance, Beginning of year | **176,850** | **121,375** | **52,911** | **66,818** | **417,954** | 413,159 |
| Add: | | | | | | |
| Amortization | **-** | **-** | **-** | **-** | **-** | 4,795 |
| Less: | | | | | | |
| Accumulated amortization on disposals | **-** | **-** | **-** | **-** | **-** | - |
| Balance, end of year | **176,850** | **121,375** | **52,911** | **66,818** | **417,954** | 417,954 |
| **Net Book Value of Tangible Capital Assets** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | $ - |