Agenda – Executive Policy Committee – May 22, 2024

AUDIT COMMITTEE

Item No. 1 Annual Audited Consolidated Financial Statements of The City of Winnipeg for the year ended December 31, 2023

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Audit Committee approve the attached consolidated financial statements of The City of Winnipeg for the year ended December 31, 2023 and direct the Chief Financial Officer to submit these audited consolidated financial statements to Council with the City's Annual Report for information, prior to June 30, 2024.

2. That the Chief Financial Officer submit the audited consolidated financial statements of The City of Winnipeg to the Province of Manitoba prior to June 30, 2024.

3. That the Audit Committee receives as information the attached Audit Findings Report prepared by KPMG LLP.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: Annual Audited Consolidated Financial Statements of The City of Winnipeg for the year ended December 31, 2023

Critical Path: Audit Committee

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Speidel	C. Kloepfer	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

The City's 2023 audited consolidated financial statements reflect the financial position and the results of operations of The City of Winnipeg, which demonstrate Council's fiscally prudent and responsible plans to deliver services daily to the residents of Winnipeg and invest in key infrastructure.

The audited consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. As such, these audited consolidated financial statements include all activities under the control of the City of Winnipeg (e.g. Water and Waste utilities, Capital, Transit, Special Operating Agencies, partnerships, etc.). They are prepared on a full accrual basis meaning unfunded liabilities such as employee benefits and asset retirement obligations are included in the results.

The audited consolidated financial statements attached as Appendix 1 report a surplus (revenues greater than expenses) of $12.3 million before capital-related revenues.

The City's consolidated revenues (excluding other capital-related revenues) totaled $1.928 billion (increase of $159 million or 9 percent over 2022) while consolidated expenses totaled $1.915 billion (an increase of $2 million or 0.1 percent over 2022).

Investments in capital assets totaled $695 million in 2023 (2022 - $494 million). Construction in 2023 resulted in $194 million in roads, $109 million in Plants and Facilities and $183 million in underground and other networks being completed and put into service during the year.

The City's net financial liabilities have remained stable at $1.2 billion Net financial liabilities are an indicator of how much a government will be relying on future revenues to fund current services and infrastructure. The City's credit ratings affirm solid fiscal performance (S&P Global: AA+; Moody's Investors Services as Aa2). S&P Global reaffirmed their rating in November 2023, stating: *Winnipeg's diversified economy will support revenue growth, while its prudent financial management, moderate debt burden, and ample liquidity will help to sustain the city's creditworthiness in the longer term.* Moody's noted that Winnipeg has: *a stable institutional framework which provides the city with significant flexibility to address fiscal challenges.*

The City's 2022 results have been restated to reflect the adoption of the public sector accounting standard for asset retirement obligations. This change resulted in increases to liabilities ($144.3 million); net tangible capital assets ($19.2 million), and expenses ($13.8 million) and a decrease in accumulated surplus of $125.0 million and an increase in the City's net financial liabilities of $144.3 million. The 2022 consolidated surplus was reduced from $70.6 million to $56.8 million.

RECOMMENDATIONS

1. That the Audit Committee approve the attached consolidated financial statements of The City of Winnipeg for the year ended December 31, 2023 and direct the Chief Financial Officer to submit these audited consolidated financial statements to Council with the City's Annual Report for information, prior to June 30, 2024.

2. That the Chief Financial Officer submit the audited consolidated financial statements of The City of Winnipeg to the Province of Manitoba prior to June 30, 2024.

3. That the Audit Committee receives as information the attached Audit Findings Report prepared by KPMG LLP.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Section 100(i) of *The City of Winnipeg Charter* requires the Chief Financial Officer to submit to Council, within six months of the fiscal year-end of the City, a report on the financial position of the City for the end of its fiscal year. Further, under section 100(j), the Chief Financial Officer will submit that report to the Province of Manitoba, also within six months of the fiscal year-end.

IMPLICATIONS OF THE RECOMMENDATIONS

The City will comply with the requirements of *The City of Winnipeg Charter.*

HISTORY/DISCUSSION

The City of Winnipeg prepares consolidated financial statements annually, including notes and schedules. These statements are prepared in accordance with Canadian public sector accounting standards recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The statements are also audited annually be an external auditor. KPMG LLP, the City's current external auditor, will be issuing an unqualified audit opinion on the consolidated financial statements.

At the Standing Policy Committee on Finance and Economic Development meeting of February 5, 2024, the General Revenue Fund showed an unaudited deficit of $0.3 million at December 31, 2023.

The consolidated financial statements attached to this report include all activities under the control of the City of Winnipeg (e.g. Water and Waste utilities, Capital, Transit, Special Operating Agencies, partnerships etc.). They are prepared on a full accrual basis meaning unfunded liabilities, such as employee benefits and asset retirement obligations are included in the results.

The annual surplus is $376.8 million compared to $56.8 million in 2022. The increase is mainly attributable to better results overall in operations and an increase in revenue from government transfers for tangible capital assets (TCA) and other capital contributions. The following information provides details on the changes by type:

Revenues

The City's consolidated revenues (excluding other capital-related revenues) increased $159 million from 2022 (2023 - $1.928 billion; 2022 - $1.769 billion), which is a 9 percent increase from prior year. The following outlines some reasons for the changes by category:

Taxation revenues increased $47 million from 2022, primarily due to a 3.5 percent property tax increase, assessment roll growth and an increase in the frontage levy rate of $1.50 per foot ($5.45 per foot to $6.95 per foot). The property tax increase comprises:

- 1 percent tax increase for the renewal of regional streets and sidewalks, and bridges (Regional Street Renewal Program);
- 1 percent for the renewal of local streets, lanes and sidewalks (Local Street Renewal Program); and
- 0.33 percent for payments for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass).
- 1.17 percent for operating.

Sales of services and regulatory fees increased $47 million from 2022 mainly due to the lifting of all health orders for the COVID-19 pandemic in early 2023 and impacts of inflation on citizens income. Some of the most significant increases were:

- Increased transit ridership – Annual ridership for regular transit was 42.9 million in 2023 compared to 32.8 million in 2022.
- Increased revenues in government organizations such as Assiniboine Park Conservancy and the Convention Centre due to higher attendance and facility bookings.
- Increased late payment fees in utilities and assessment and taxation.

Government Transfers increased $36 million from 2022 mainly due to one-time funding for Transit and increases in the annual funding from the Province for municipal operations and Police services.

Interest and Other Income increased $29 million mainly due to higher investment income as a result of higher interest rates and higher lands sales compared to 2022.

Expenses

The City's consolidated expenses increased $2 million from 2022 (2023 - $1.913 billion; 2022 - $1.915 billion), which is a 0.1 percent increase from prior year. The increase is mainly due to higher expenses in government organizations to provide the services for increased attendance and facility bookings and an increase in employee benefit obligations offset by lower expenses in Public Works due in part to lower snow and ice control and street clean-up costs.

Revenues and Contributions related to Capital

Revenues and contributions related to capital have increased $163.3 million from 2022 mainly due to increases in transfers related to capital ($106 million) and developer contributions ($57 million). Transfers related to capital have increased mainly due to the recognition of revenue for the ICIP project - NEWPCC Headworks ($82 million) as the contribution agreement was signed in 2023. Other increases are due to one-time road repair grants and federal funding for trees. Developer contributions can vary significantly from year to year based on the status of the development. The main increases in 2023 were due to higher amounts in Public Works and Utilities.

Investments in capital assets totaled $695 million in 2023 (2022 - $494 million). Construction in 2023 resulted in $194 million in roads, $109 million in Plants and Facilities and $183 million in underground and other networks being completed and put into service during the year.

Budget

Canadian Public Sector Accounting Standards require actual results to be compared to an approved budget to provide transparency and accountability for governments. The 2023 Adopted Budget Operating and Capital Volume 2, approved by Council on March 22, 2023, contains the 2023 consolidated budget. For 2023, the budgeted consolidated operating deficit was $5.3 million.

Canadian Award for Financial Reporting

The City received the prestigious Canadian Award for Financial Reporting from the Government Finance Officers Association for the December 31, 2022 report. This is the sixth year in a row that the City has received this award. This award recognizes excellence in government accounting and financial reporting. The award reflects the tremendous effort not only of employees in Corporate Finance, but also all departments, Special Operating Agencies and elected officials in producing high quality documents for use by our community.

New Accounting Standards

In 2023 the City's audited financial statements incorporate new Public Sector Accounting Board (PSAB) standards for Asset Retirement Obligations and Financial Instrument Accounting. The Asset Retirement Obligation standard required an estimated liability for future costs of legally required remediation to be included in the financial statements. The adoption of this standard required the restatement of some 2022 opening balances. Financial Instruments Accounting provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions. The adoption of this standard does not require restatement of prior year balances.

In 2024 two new PSAB standards will be implemented: Revenue Recognition and Public Private Partnerships. The revenue standard provides principles for recognizing non-tax and government transfer revenues. The public private partnerships standard addresses how the City would account for the procurement of infrastructure using a private sector partner.

The Public Service is currently evaluating the potential impact of these standards.

FINANCIAL IMPACT

Financial Impact Statement **Date:** April 18, 2024

Project Name:

Annual Consolidated Financial Statements of the City of Winnipeg, for the year ended December 31, 2023.

COMMENTS:

This report is for information purposes.

"Original signed by:
Helen Hasiuk, CPA, CA
Manager of Financial Reporting and Accounting Services

CONSULTATION

This Report has been prepared in consultation with:

All City of Winnipeg Departments and Agencies (in preparing the consolidated financial statements)

OURWINNIPEG POLICY ALIGNMENT

Goal: Leadership and Good Governance

1.1 Organizational Alignment
All City policy implementation and enforcement tools must be aligned with the localized United Nations Sustainable Development Goals framework, consisting of Leadership and Good Governance; Environmental Resilience; Economic Prosperity, Good Health and Well-Being;

1.5 Evidence-Informed Decisions
Invest in data and technology in order to support objective, evidence-informed decision-making; support open government and open data principles for collection and sharing; help coordinate records and information management; and improve process efficiency, results-based service delivery and accountability.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan (CAP) and it was determined that the (CAP) is not applicable to this specific report.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (PRS) and its Goals and Objectives, and it was determined that the PRS is not applicable to this specific report.

SUBMITTED BY

Department: Corporate Finance
Division: Corporate Controller
Prepared by: Helen Hasiuk
Date: April 18, 2024
File No: 2023 Year End

Attachments:

Appendix 1: The City of Winnipeg consolidated financial statements for the year ended December 31, 2023 (Draft)

Appendix 2: KPMG Audit Findings Report as of April 24, 2024