Agenda – Executive Policy Committee – May 13, 2025

AUDIT COMMITTEE

Item No. 1 Annual Audited Consolidated Financial Statements of The City of Winnipeg for the year ended December 31, 2024

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, 2024, 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, 2025.

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, 2024

Critical Path: Audit Committee

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Speidel	T. Graham	T. Graham	S. Armbruster, Interim CAO

EXECUTIVE SUMMARY

The City's 2024 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 an annual deficit (revenues less than expenses) of $38.4 million before capital-related revenues. Capital revenues are $310.0 million resulting in an overall surplus in 2024 of $271.6 million.

The City's consolidated revenues, excluding other capital-related revenues, totaled $2.039 billion (increase of $112 million or 6 percent over 2023) while consolidated expenses totaled $2.078 billion (increase of $162 million or 8 percent over 2023).

Investments in capital assets totaled $689 million in 2024 (2023 - $696 million). See schedule 2 in Appendix one attached for a breakdown of additions by asset type.

The City's net financial liabilities have increased from $1.2 billion to $1.3 billion, a $99 million increase. 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 noted Winnipeg's diversified economy and supportive and predictable institutional framework. Moody's noted that Winnipeg has sector diversity, high levels of long-term liquidity and strong debt affordability.

Certain 2023 expenses have been reclassified to reflect changes in organizational structure. The restatements do not impact the surplus or deficit.

RECOMMENDATIONS

1. That the Audit Committee approve the attached consolidated financial statements of The City of Winnipeg for the year ended December 31, 2024, 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, 2025.

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 by an external auditor. KPMG LLP, the City's current external auditor, will be issuing an unqualified audit (clean) opinion on the consolidated financial statements.

At the Standing Policy Committee on Finance and Economic Development meeting March 7, 2025, the General Revenue Fund showed an unaudited surplus of $7.2 million at December 31, 2024.

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 consolidated annual surplus is $271.6 million compared to $376.8 million in 2023. The following information provides details on the changes by type:

Revenues

The City's consolidated revenues (excluding other capital-related revenues) increased $112 million from 2023 (2024 - $2.039 billion; 2023 - $1.927 billion), which is a 6 percent increase. The following outlines some reasons for the changes by category:

Taxation revenues increased $31 million from 2023, primarily due to a 3.5 percent property tax increase and assessment roll growth. 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 $45 million from 2023 mainly due to increases in sewer, water and recycling revenues as a result of increased consumption and one-time increases in license fees and cemetery sales as result of implementing a new public sector standard applicable to sales and regulation revenues.

Government Transfers were consistent from prior year with a slight increase of $2 million.

Investment income, and land sales and other income increased $33 million mainly due to higher interest income and the recognition of a receivable for the Police Headquarters building.

Expenses

The City's consolidated expenses increased $162 million from 2023 (2024 - $2.078 billion; 2023 - $1.915 billion), which is an 8.5 percent increase. The change is a result of increases across most of the functions. The following is a summary of the impacts:

- Protection and community services – mainly due to higher salary and benefit costs, including overtime and workers compensation. A portion of these costs are offset by third-party revenues.
- Utilities operations – mainly due higher financing costs, and salaries and benefits
- Public works – mainly due to increased snow and ice clearing costs and increases in amortization, financing and infrastructure maintenance costs
- Civic corporations – increase is due to the return of COVID19 funding, amortization and accretion, grants, and salary increases.
- Finance and administration – mainly due to increases in community grants, safety programs, allowances, and salaries and benefits.
- General government – mainly due to increase in employee benefit liabilities.

Revenues and Contributions related to Capital

Revenues and contributions related to capital have decreased $55 million from 2023 mainly due to a reduction of in-kind contributions from developers. Developer contributions can vary significantly from year to year based on the status of the development.

Investments in capital assets totaled $689 million in 2024 (2023 - $696 million). See schedule 2 in Appendix one attached for a breakdown of additions by asset type.

Budget

Canadian Public Sector Accounting Standards require actual results to be compared to an approved budget to provide transparency and accountability for governments. The 2024 Adopted Budget Operating and Capital Volume 2, approved by Council on March 20, 2024, contains the 2024 consolidated budget. For 2024, the budgeted consolidated deficit before other was projected to be $30.7 million. Some 2024 amounts have been reclassified to conform to actuals.

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, 2023, report. This is the seventh 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 PSAB standards for Revenue Recognition, Public Private Partnerships and guidelines for recognizing purchased intangibles. The Revenue standard applies to sales of service and regulatory revenue streams. Under the new standard revenue is recognized when performance obligations have been satisfied. This standard was adopted prospectively so there is no impact to prior year results. The impact to the financial statements in implementing this standard was not material (approximately $3 million reduction in revenue).

There was no impact to the financial statements as a result of adopting the P3 standard or applying the purchased intangibles guideline. The adoption of this standard and guideline does not require restatement of prior year balances.

FINANCIAL IMPACT

Financial Impact Statement

Date: April 16, 2025

Project Name:
Annual Audited Consolidated Financial Statements of The City of Winnipeg for the year ended December 31, 2024

COMMENTS:

There are no financial implications associated with the recommendations of this report.

Randy Bernard

Randy Bernard, CPA, CMA
Manager of Finance & Administration (Campus)
Corporate Finance Department

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

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 30, 2025
File No: N/A

Attachments:

Appendix 1: The City of Winnipeg consolidated financial statements for the year ended December 31, 2024

Appendix 2: KPMG 2024 Audit Findings Report