Financial Statements of

THE CITY OF WINNIPEG - ANIMAL SERVICES - SPECIAL OPERATING AGENCY

And Independent Auditor's Report thereon

Year ended December 31, 2024

KPMG LLP
1900 – 360 Main Street
Winnipeg, MB R3C 3Z3
Canada
Telephone 204-957-1770
Fax 204-957-0808

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, 2024, 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, 2024, 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.

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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.

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 represent 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 16, 2025

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2024	2023
FINANCIAL ASSETS		
Cash	**$ 44,851**	$ 37,104
Due from the City of Winnipeg - General Revenue Fund (Note 3)	**3,733,813**	3,473,891
	3,778,664	3,510,995
LIABILITIES		
Accounts payable and accrued liabilities	**99,025**	34,076
Deferred revenue	**-**	1,674,835
Vacation and overtime payable	**105,140**	91,824
Retirement allowances and compensated absences (Note 4a)	**172,000**	172,000
	376,165	1,972,735
NET FINANCIAL ASSETS	**3,402,499**	1,538,260
ACCUMULATED SURPLUS (Note 6)	**$ 3,402,499**	$ 1,538,260

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 2024	Actual 2024	Actual 2023
REVENUES			
Regulation fees (Note 2i)	**$ 2,587,500**	**$ 4,247,808**	$ 2,618,153
Transfer (Note 8)	**1,271,219**	**1,271,219**	1,271,219
Sales of goods and services	**87,500**	**123,766**	115,735
Government transfers	**30,000**	**29,486**	28,156
Other revenue	**85,000**	**289,001**	246,974
Total Revenues	**4,061,219**	**5,961,280**	4,280,237
EXPENSES			
Salaries and employee benefits	**2,231,868**	**2,064,981**	1,938,680
Grants, transfers and other	**992,273**	**990,784**	845,581
Services (Note 9)	**266,200**	**317,865**	273,958
Administrative expenses (Note 9)	**227,824**	**227,824**	227,456
Rent (Note 9)	**199,731**	**199,729**	195,327
Materials, parts and supplies	**111,000**	**106,921**	116,685
Fleet lease expense (Note 9)	**66,244**	**60,530**	68,702
Debt and finance charges	**50,000**	**47,426**	48,632
IT expense (Note 9)	**47,804**	**44,211**	46,246
Assets and purchases	**6,000**	**36,770**	2,939
Amortization	**6,000**	**-**	-
Total Expenses	**4,204,944**	**4,097,041**	3,764,206
Annual Surplus / (Deficit)	**$ (143,725)**	**$ 1,864,239**	$ 516,031
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**1,538,260**	1,022,229
ACCUMULATED SURPLUS, END OF YEAR (Note 6)		**$ 3,402,499**	$ 1,538,260

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:	**2024**	2023
OPERATING		
Surplus of revenues over expenses	**$ 1,864,239**	$ 516,031
Non-cash charges to operations		
Retirement allowances and compensated absences	**-**	1,000
	1,864,239	517,031
Net change in non-cash working capital balances related to operations	**(1,596,570)**	(115,644)
Cash provided by operating activities	**267,669**	401,387
FINANCING		
Change in due from The City of Winnipeg - General Revenue Fund	**(259,922)**	(404,315)
Increase (decrease) in cash	**7,747**	(2,928)
CASH, BEGINNING OF YEAR	**37,104**	40,032
CASH, END OF YEAR	**$ 44,851**	$ 37,104

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 2024	Actual 2024	Actual 2023
Surplus (deficit) of Revenues Over Expenses	**$ (143,725)**	**$ 1,864,239**	$ 516,031
Amortization of tangible capital assets	**6,000**	**-**	-
INCREASE (DECREASE) IN NET FINANCIAL *ASSETS*	**(137,725)**	**1,864,239**	516,031
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**1,538,260**	**1,538,260**	1,022,229
NET FINANCIAL ASSETS, END OF YEAR	**$ 1,400,535**	**$ 3,402,499**	$ 1,538,260

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, 2024

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. 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.

Change in Accounting Policy

i) Revenue

On January 1, 2023, the City has prospectively adopted PS 3400 *Revenue* . This standard defines how to account for and report revenue from exchange and non-exchange transactions. As a result, current year revenues have increased by $1.7 million. There has been no impact to the financial statements results of prior years.

The standard was accounted for prospectively, resulting in the recognition of $1.7 million in revenues in 2024 that were previously recorded as unearned revenue.

ii) Purchased Intangibles

On January 1, 2023 the City prospectively adopted PSG - 8 Purchased Intangibles. This guideline allows the recognition of intangible assets purchased through an exchange transaction.
There has been no impact to these financial statements as a result of adopting this guideline.

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.

2. *Significant Accounting Policies (continued)*

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%

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 public sector accounting principals requires management to make assumptions and estimates in areas such as employee benefits and useful life of tangible capital assets. These estimates and assumptions are based on the Agency's best information and judgment and may differ from actual results.

Financial instruments

Financial instruments are any contracts that give rise to financial assets of one entity and financial liabilities or equities of another. The Agency's financial instruments are measured at cost or amortized cost. Transaction costs are added to the carrying amount of the asset or liability upon recognition. Transaction costs are defined as incremental costs directly attributable to the acquisition or issue of a financial asset or liability.

At each financial statement date the City will assess their financial instruments to determine if they are impaired. Any impairment losses would be reported in the Consolidated Statement of Operations and Accumulated Surplus. As all financial instruments are measured at cost or amortized cost, there have been no remeasurement gains or losses and the Statement of Remeasurement Gains (Losses) has been excluded.

Financial risk management

The Agency has exposure to liquidity risk. Liquidity risk is the risk the Agency will encounter difficulty in meeting obligations associated with financial liabilities. This risk is low for the Agency as it is able to access funding from the City of Winnipeg as required.

2. *Significant Accounting Policies (continued)*

Sales of services and regulatory fees

Revenue is recorded on an accrual basis in the fiscal year when the events giving rise to the revenue occurs. Revenue from transactions with no performance obligation is recognized when the authority to claim or retain economic inflow is in place, and the events giving rise to the revenue have occurred. Revenue from transactions with performance obligations is recognized when those performance obligations have been satisfied The following are typical performance obligations in relation to the City's sales of service and regulatory fees revenue:

Key Revenue Stream	Common Performance Obligation	Recognition	Examples
Licenses	Provide Rights	At point of sale	Dog/Cat Licenses
Fine	None	When collectible under the by-law	Statutory fines

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, 2024 effective interest rate was 3.20% (2023 - 4.95%).

4. *Employee Benefits*

a) Retirement allowances and compensated absences

	2024	2023
Retirement allowances - accrued benefit liability	**$ 82,000**	$ 86,000
Compensated absences	**90,000**	86,000
	$ 172,000	$ 172,000

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 18.6 years (2023 - 18.6 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 obligation as at December 31 of each year. An actuarial valuation report of the obligation was prepared as of December 31, 2023. The results of this valuation were extrapolated to the financial reporting date of December 31, 2024 using July 31, 2023 data.

4. *Employee Benefits (continued)*

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 is as follows:

	2024		2023	
	Retirement allowances	**Compensated absences**	Retirement allowances	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 47,000**	**$ 63,000**	$ 36,000	$ 61,000
Current service cost	**4,000**	**13,000**	3,000	10,000
Interest cost	**2,000**	**3,000**	(6,000)	3,000
Benefit payments	**(10,000)**	**(10,000)**	-	(7,000)
Net actuarial (gain) / Loss	**4,000**	**-**	14,000	(4,000)
Balance, end of year	**47,000**	**69,000**	**47,000**	**63,000**
Unamortized net actuarial gain	**35,000**	**21,000**	39,000	23,000
Accrued benefit liability	**$ 82,000**	**$ 90,000**	$ **86,000**	**$ 86,000**
Benefit expenses:				
Current service cost	**$ 4,000**	**$ 13,000**	$ 3,000	$ 10,000
Interest cost	**2,000**	**3,000**	(6,000)	3,000
Recognition of plan Amortization of net actuarial (gain)	**-**	**(2,000)**	(1,000)	(1,000)
	$ 6,000	**$ 14,000**	$ **(4,000)**	**$ 12,000**
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 86,000**	**$ 86,000**	$ 90,000	$ 81,000
Benefit expense	**6,000**	**14,000**	(4,000)	12,000
Benefit payments	**(10,000)**	**(10,000)**	-	(7,000)
Balance, end of year	**$ 82,000**	**$ 90,000**	$ **86,000**	**$ 86,000**

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

	2024	2023
Valuation interest rate	**4.20%**	4.20%
General increases in pay	**2.50%**	2.50%
Expected average remaining service life	18.6 years	18.6 years

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 $157,457 (2023 - $151,813) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2022 and has disclosed an actuarial surplus.

5. *Tangible Capital Assets*

During fiscal 2021 tangible capital assets of the Agency were fully amortized and have $nil net book value as at December 31, 2024. For additional information, see Schedule of Tangible Capital Assets (Schedule 1).

6. *Accumulated Surplus*

	2024	2023
Operating	**$ 3,402,499**	$ 1,538,260

7. *Commitments*

The Agency and the Winnipeg Humane Society are currently in negotiations to renew a contract effective January 1, 2025 to December 31, 2027. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency has received approval from city council and agreed to pay the Winnipeg Humane Society the sum of $987,500 per year.

8. *Transfer from The City of Winnipeg*

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

2020	771,219
2021	1,271,219
2022	371,219
2023	1,271,219
2024	1,271,219

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 $199,729 (2023 - $195,327), a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $146,860 (2023 - $146,860) and a transfer to Innovation and Technology Fund for services of $44,211 (2023 - $46,246). Also included are lease costs of $60,530 (2023 - $68,702) to The City of Winnipeg Fleet Management - Special Operating Agency and $80,964 (2023 - $80,596) 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.

10. *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.