

Appendix A - 2026 Pro Forma Financial Statements Animal Services Agency**THE CITY OF WINNIPEG****ANIMAL SERVICES - SPECIAL OPERATING AGENCY****STATEMENT OF FINANCIAL POSITION***As at December 31*

	Unaudited Forecast 2026	Unaudited Actual 2025	Audited Actual 2024
FINANCIAL ASSETS			
Cash	\$ 35,829	\$ 35,829	\$ 44,851
Due from the City of Winnipeg - General Revenue Fund (Note 3)	963,341	1,572,572	3,733,813
Accounts receivable	1,383	1,383	-
Fixed assets	36,456	36,456	-
	<u>1,037,009</u>	<u>1,646,240</u>	<u>3,778,664</u>
LIABILITIES			
Accounts payable and accrued liabilities	414,973	414,973	99,025
Deferred revenue	-	-	-
Vacation and overtime payable	94,587	94,587	105,140
Retirement allowances and compensated absences (Note 4a)	132,000	132,000	172,000
	<u>641,560</u>	<u>641,560</u>	<u>376,165</u>
NET FINANCIAL ASSETS	<u>395,449</u>	<u>1,004,680</u>	<u>3,402,499</u>
NON-FINANCIAL ASSETS			
Prepaid expense	-	-	-
ACCUMULATED SURPLUS (Note 6)	<u>\$ 395,449</u>	<u>\$ 1,004,680</u>	<u>\$ 3,402,499</u>
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

	Unaudited Forecast 2026	Unaudited Actual 2025	Audited Actual 2024
REVENUES			
Regulation fees	\$ 2,722,000	\$ 2,519,039	\$ 4,247,808
Transfer from General Revenue Fund (Note 8)	871,219	1,098,969	1,271,219
Sales of goods and services	122,000	128,996	123,766
Other revenue	190,000	227,195	318,487
Total Revenues	<u>3,905,219</u>	<u>3,974,199</u>	<u>5,961,280</u>
EXPENSES			
Salaries and employee benefits	2,383,423	2,198,232	2,064,981
Service Purchase Agreement - Winnipeg Humane Society	1,012,000	987,500	822,312
Services (Note 9)	395,592	408,999	359,680
Administrative expenses (Note 9)	228,564	228,193	227,824
Rent (Note 9)	203,725	199,731	199,729
Materials, parts and supplies	144,000	145,399	125,636
Debt and finance charges	51,000	47,929	47,426
Innovation and Technology Expense (Note 9)	48,146	47,963	44,211
Transfers and other	30,000	274,257	168,472
Assets and purchases	6,000	33,815	36,770
Amortization	12,000	-	-
Transfer to Financial Stabilization Reserve	-	1,800,000	-
Total Expenses	<u>4,514,450</u>	<u>6,372,018</u>	<u>4,097,041</u>
Annual Surplus / (Deficit)	<u>\$ (609,231)</u>	<u>(2,397,819)</u>	<u>1,864,239</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>1,004,680</u>	<u>3,402,499</u>	<u>1,538,260</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 6)	<u>\$ 395,449</u>	<u>\$ 1,004,680</u>	<u>\$ 3,402,499</u>

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:**

	Unaudited Forecast 2026	Unaudited Actual 2025	Audited Actual 2024
OPERATING			
Surplus of revenues over expenses	\$ (609,231)	\$ (2,397,819)	\$ 1,864,239
Non-cash charges to operations			
Amortization	12,000	5,208	
Retirement allowances and compensated absences	-	(40,000)	-
	(597,231)	(2,432,611)	1,864,239
Net change in non-cash working capital balances related to operations		304,012	(1,596,570)
Cash provided by operating activities	(597,231)	(2,128,599)	267,669
CAPITAL			
Acquisition of tangible capital assets	(12,000)	(41,664)	
FINANCING			
Change in due from The City of Winnipeg - General Revenue Fund	609,231	2,161,241	(259,922)
Increase (decrease) in cash	-	(9,022)	7,747
CASH, BEGINNING OF YEAR	35,829	44,851	37,104
CASH, END OF YEAR	\$ 35,829	\$ 35,829	\$ 44,851

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

	Unaudited Forecast 2026	Unaudited Actual 2025	Audited Actual 2024
Surplus of Revenues Over Expenses	\$ (609,231)	\$ (2,397,819)	\$ 1,864,239
Amortization of tangible capital assets	12,000	5,208	-
Acquisition of tangible capital assets	(12,000)	(5,208)	
INCREASE IN NET FINANCIAL ASSETS	(609,231)	(2,397,819)	1,864,239
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,004,680	3,402,499	1,538,260
NET FINANCIAL ASSETS, END OF YEAR	\$ 395,449	\$ 1,004,680	\$ 3,402,499

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, 2025

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 as it is earned and measurable. 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%

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. 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.

2. *Significant Accounting Policies (continued)*

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.

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, 2025 effective interest rate was 2.82% (2024 - 4.24%).

4. *Employee Benefits*

a) Retirement allowances and compensated absences

	2026	2025
Retirement allowances - accrued benefit liability	\$ 37,000	\$ 37,000
Compensated absences	95,000	95,000
	<u>\$ 132,000</u>	<u>\$ 132,000</u>

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 (2025 - 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.

4. Employee Benefits (continued)

An actuarial valuation of the obligation was calculated as of July 31, 2023. The results of this valuation were extrapolated to the financial reporting date of December 31, 2026 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.

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

	2026		2025	
	Retirement allowances	Compensated absences	Retirement allowances	Compensated absences
Accrued benefit obligation:				
Balance, beginning of year	\$ 47,000	\$ 69,000	\$ 47,000	\$ 69,000
Current service cost	4,000	14,000	4,000	14,000
Interest cost	2,000	3,000	2,000	3,000
Benefit payments	(50,000)	(10,000)	(50,000)	(10,000)
Net actuarial (gain) / Loss	44,000	76,000	44,000	76,000
Balance, end of year	47,000	152,000	47,000	152,000
Unamortized net actuarial gain	10,000	(19,000)	10,000	(19,000)
Accrued benefit liability	<u>\$ 57,000</u>	<u>\$ 133,000</u>	<u>\$ 57,000</u>	<u>\$ 133,000</u>
Benefit expenses:				
Current service cost	\$ 3,000	\$ 12,000	\$ 3,000	\$ 12,000
Interest cost	2,000	3,000	2,000	3,000
Recognition of plan				
Amortization of net actuarial (gain)	-	-	-	-
	<u>\$ 5,000</u>	<u>\$ 15,000</u>	<u>\$ 5,000</u>	<u>\$ 15,000</u>
Reconciliation of accrued benefit liability:				
Balance, beginning of year	\$ 82,000	\$ 90,000	\$ 82,000	\$ 90,000
Benefit expense	5,000	15,000	5,000	15,000
Benefit payments	(50,000)	(10,000)	(50,000)	(10,000)
Balance, end of year	<u>\$ 37,000</u>	<u>\$ 95,000</u>	<u>\$ 37,000</u>	<u>\$ 95,000</u>

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

	2026	2025
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 \$179,974 (2025 - \$158,534) 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*

As of December 31, 2025 additional tangible capital assets were purchased by the Agency and will be amortized over the life of the asset.

6. *Accumulated Surplus*

	2026	2025
Operating	\$ 395,449	\$ 1,004,680

7. *Commitments*

The Agency and the Winnipeg Humane Society entered into 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 agreed to pay the Winnipeg Humane Society the sum of \$987,500 in 2025 and will increase by inflation on an annual basis for 2026 and 2027.

8. *Transfer from The City of Winnipeg*

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

2022	371,219
2023	1,271,219
2024	1,271,219
2025	1,098,969
2026	871,219

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 \$203,725 (2025 - \$199,731), a transfer to The City of Winnipeg - General Revenue Fund for administrative services of \$146,860 (2025 - \$146,860) and a transfer to Innovation and Technology Fund for services of \$48,146 (2025 - \$47,963). Also included are lease costs of \$56,672 (2025 - 55,313 to The City of Winnipeg Fleet Management - Special Operating Agency and \$81,704 (2025 - \$81,333) 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.