Financial Statements

The City of Winnipeg
Winnipeg Parking Authority – Special Operating Agency

December 31, 2005

AUDITORS' REPORT

To the Mayor and Members of City Council
The City of Winnipeg

We have audited the statement of financial position of **The City of Winnipeg Winnipeg Parking Authority – Special Operating Agency** as at December 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg Winnipeg Parking Authority – Special Operating Agency** as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
May 3, 2006.

Chartered Accountants

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY
- SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2005
ASSETS	
Current	
Cash	$ 173
Accounts receivable, net	1,043
Inventory	157
	1,373
Property, equipment and leasehold improvements (Note 4)	13,206
	$ 14,579
LIABILITIES	
Current	
Due to City of Winnipeg - General Revenue Fund (Note 5)	$ 2,606
Accounts payable and accrued liabilities	220
Vacation payable	95
Current portion of long-term debt (Note 6)	12,776
	15,697
Retirement allowance (Note 7b)	77
Long-term debt (Note 6)	224
	301
	15,998
CAPITAL DEFICIENCY	
Contributed surplus (Note 3)	172
Deficit	(1,591)
	(1,419)
	$ 14,579

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY
- SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

For the year ended December 31
(in thousands of dollars)

	2005
REVENUES	
Enforcement (Note 8)	$ 4,275
Parking fees (Note 10a)	4,178
Meters	2,247
Ground lease	326
Total Revenues	11,026
EXPENSES	
Services (Note 10 b, c, e, f, and h)	3,477
Salaries and employee benefits (Note 7)	1,563
Municipal tax equivalency charge (Note 10g)	758
Debt and finance charges (Note 6b)	760
Material, parts and supplies (Note 10h)	615
Amortization	475
Overhead charge (Note 10d)	152
Recoveries	(28)
Total Expenses	7,772
Income before other items and income tax equivalency	3,254
OTHER INCOME (LOSS)	
Write-down of assets	(144)
Income before income tax equivalency	3,110
Income tax equivalency charge (Note 9)	1,152
Net income for the year	1,958
Transfer to The City of Winnipeg - General Revenue Fund	3,549
DEFICIT, END OF YEAR	$ (1,591)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY
- SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the year ended December 31
(in thousands of dollars)

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2005
OPERATING	
Net income for the year	$ 1,958
Non-cash items related to operations	
Write-down of assets	144
Amortization	475
Retirement allowance	77
Working capital from operations	2,654
Net change in working capital	(885)
	1,769
FINANCING	
Increase in due to City of Winnipeg - General Revenue Fund	2,606
Increase in long-term debt	500
Transfer to City of Winnipeg - General Revenue Fund	(3,549)
	(443)
INVESTING	
Purchase of capital assets	(1,153)
	(1,153)
CASH POSITION, END OF YEAR	$ 173

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY
- SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005
(in thousands of dollars)

1. *Description of Business*

On March 20, 1997, Council adopted the Reshaping Our Civic Government document identifying the development of Special Operating Agencies ("SOA") as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, Council adopted the 1999 Alternative Service Delivery Review Agenda which identified the municipal parking services operations as an Alternative Services Delivery ("ASD") candidate. A feasibility study was subsequently prepared and presented to the ASD Committee.

On December 11, 2002, Council adopted the recommendation of the ASD Committee that an Operating Charter and Business Plan for a SOA with a mandate to manage and be accountable for city-owned parking resources, be prepared for consideration by Council.

The Winnipeg Parking Authority, SOA was created effective October 27, 2004 and commenced operations on January 1, 2005.

The Agency manages the parking facilities and related assets owned and previously operated by the City of Winnipeg. The intent of the Agency is to provide excellent customer service, maximize the annual return of parking operations, and ensure its long-term sustainability.

2. *Summary of Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition

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

b) Inventory

Inventory is recorded at the lower of cost and replacement cost.

2. *Summary of Significant Accounting Policies - (continued)*

c) Property, equipment and leasehold improvements

Land and equipment were transferred January 1, 2005 from the City at a fair market value as determined by independent consultants. Subsequent acquisitions are recorded at cost.

Property, equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. In the year of acquisition 50% of the applicable amortization rates are used, with the exception of assets transferred from the City.
The amortization rates are as follows:

Leasehold improvements	15 Years
Parking surfaces	5%
Parkades	2%
Vehicles	20%
Meters	10%
Equipment	10-20%
Computer equipment	33%
Office furniture and equipment	20%

d) Financial instruments

Financial instruments include cash, accounts receivable, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

3. *Assets and Liabilities Acquired on Start-Up*

The following assets and liabilities were acquired on start-up:

Due from City of Winnipeg - General Revenue Fund	$	**37**
Land		**172**
Parking surfaces		**57**
Parkades		**10,700**
Vehicles		**129**
Meters		**1,300**
Equipment		**15**
Office furniture and equipment		**10**
Computer equipment		**7**
Vacation payable		**(37)**
Long-term debt		**(12,218)**
Contributed surplus	$	**172**

4. *Property, Equipment and Leasehold Improvements*

	Cost	Accumulated Amortization	2005 Net
Land	$ 172	$ -	$ 172
Leasehold improvements	397	10	387
Parking surfaces	100	4	96
Parkades	10,700	214	10,486
Vehicles	139	27	112
Meters	1,472	131	1,341
Equipment	217	17	200
Computer equipment	329	55	274
Office furniture and equipment	155	17	138
	$ 13,681	$ 475	$ 13,206

5. *Due to 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 (to)/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 limit of this line of credit, which has temporarily been exceeded, is $500 thousand.

6. *Long-Term Debt*

	2005
City of Winnipeg - General Revenue Fund	
Start-up loan, interest at 6%, with no specific terms of repayment.	$ 12,218
City of Winnipeg - Idea Bank Reserve	
Loan repayable December 2006 with interest at 6%.	500
Equipment financing	
Loan repayable $83 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment.	282
	13,000
Current portion of long-term debt	(12,776)
	$ 224

a) Principal payments on debt with repayment terms due within the next five years are as follows:

2006	$ 558
2007	68
2008	72
2009	77
2010	7
	$ 782

b) Interest on the start-up loan was $753 thousand during the year and has been paid to the General Revenue Fund.

7. *Employee Benefits*

a) Pension

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, $57 thousand of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2004 and has an actuarial surplus.

b) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The 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 experience gains and losses are amortized on a straight-line basis over 9.7 years, which 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. The most recent actuarial valuation report was at December 31, 2005.

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

	2005
Retirement allowance - accrued obligation:	
Balance, beginning of year	$ -
Current service cost	77
Balance, end of year	77
Unamortized net actuarial loss	-
Retirement allowance - accrued liability	$ 77

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

	2005
Valuation interest rate	**4.50%**
General increases in pay	**3.00%**

8. *Enforcement Revenue*

Prior to 2005 enforcement revenue was accounted for using the cash basis of accounting by the City of Winnipeg. At January 1, 2005 a gross enforcement receivable was estimated at $12,182 thousand, which was assumed by the Agency, and a corresponding allowance for doubtful accounts set up. The Agency will recognize revenue as these accounts are recovered. Current year collections of pre-2005 citations amounted to $662 thousand.

9. *Income Tax Equivalency*

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge which is payable to The City of Winnipeg based on the following rates:

Small business rate on the first $300 thousand of net income	18.10%
Regular corporate rate on the balance	37.10%

The write-down of assets is added back to net income for the purposes of the tax calculation.

An amount of $1,152 thousand has been transferred to the General Revenue Fund for 2005.

10. *Related Party Transactions*

In addition to those transactions described elsewhere in the notes, included in the Agency's financial statements are the following amounts which occurred in the normal course of operations and are recorded at the exchange amount:

a) In Revenues, an amount of $297 thousand is recorded representing sales to the City of Winnipeg.

b) In Services, an amount of $29 thousand for general government charges has been included and paid to the General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

c) In Services, an amount of $53 thousand has been charged by the Civic Accommodations Fund for the rental of office space.

d) An amount of $152 thousand has been charged by the General Revenue Fund, which represents a transfer to the City of Winnipeg as determined by the Corporate Finance Department.

e) In Services, an amount of $66 thousand has been transferred to the Corporate Information Technology Department - General Revenue Fund for the cost of support services.

f) In Services, an amount of $345 thousand has been charged by the Building Services Fund for services provided at the various locations.

10. Related Party Transactions - (continued)

g) An amount of $758 thousand has been transferred to the General Revenue Fund for payment in lieu of business and municipal taxes. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned.

h) In Services and Material, parts and supplies, an amount of $148 thousand has been charged by Fleet Management - Special Operating Agency for insurance, fuel, maintenance and rental on vehicles owned/leased by the Agency.

i) In Accounts receivable, an amount of $53 thousand is included for parking charges owing from the City of Winnipeg.