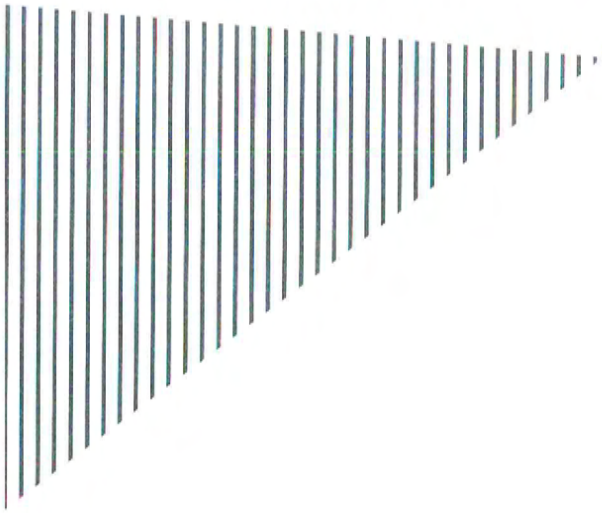
Financial Statements

The City of Winnipeg
Winnipeg Parking Authority - Special Operating Agency

December 31, 2009





ERNST & YOUNG

AUDITORS' REPORT

To the Mayor and Members of City Council of
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, 2009 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, 2009 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,
March 19, 2010.

Chartered Accountants

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2009	2008
ASSETS		
Current		
Cash	$ 33	$ 72
Accounts receivable, net	2,369	2,039
Inventory	481	133
	2,883	2,244
Property, equipment and leasehold improvements (Note 6)	19,461	16,629
	$ 22,344	$ 18,873
LIABILITIES		
Current		
Due to The City of Winnipeg - General Revenue Fund (Note 7)	$ 7,814	$ 9,286
Accounts payable and accrued liabilities	573	295
Vacation payable	135	148
Customer deposits	28	7
Current portion of long-term debt (Note 8)	14,254	13,012
	22,804	22,748
Retirement allowance (Note 9b)	79	87
Long-term debt (Note 8)	4,475	3,910
	4,554	3,997
	27,358	26,745
CAPITAL DEFICIENCY		
Contributed surplus	172	172
Deficit	(5,186)	(8,044)
	(5,014)	(7,872)
	$ 22,344	$ 18,873

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

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

	2009	2008
REVENUES		
Enforcement (Note 10)	$ 6,223	$ 6,030
Parking fees (Note 12a)		
Winnipeg Square parkade	2,765	2,564
Millennium Library parkade	1,312	1,317
Surface parking lots	944	752
Civic Centre parkade	803	746
Meters	3,999	2,989
Ground lease	326	94
Parking permits	36	325
Sundry	-	18
Total Revenues	16,408	14,835
EXPENSES		
Services (Notes 12c, g and i)		
Enforcement	2,889	2,305
Utilities	1,199	930
Parkade management	689	443
Other	2,459	2,095
Material, parts and supplies (Note 5)	1,607	1,153
Amortization	1,312	1,010
Salaries and employee benefits (Note 9)	1,274	1,280
Provision for bad debts	555	(82)
Debt and finance charges (Notes 7 and 8b)	390	1,222
Recoveries	(19)	(2)
Total Expenses	12,355	10,354
Income before other item and The City of Winnipeg charges	4,053	4,481
OTHER ITEM		
Gain (loss) on disposal of assets	4	(118)
Income before The City of Winnipeg charges	4,057	4,363
THE CITY OF WINNIPEG CHARGES		
Overhead charge (Note 12d)	-	(203)
Income tax equivalency charge (Note 11)	-	(500)
Allocated departmental charges (Notes 12b, e, f and k)	(519)	(544)
Municipal tax equivalency charge (Note 12h)	(680)	(658)
Net income and comprehensive income for the year	2,858	2,458
DEFICIT, BEGINNING OF YEAR	(8,044)	(8,232)
Transfer to The City of Winnipeg - General Revenue Fund	-	(2,270)
DEFICIT, END OF YEAR	$ (5,186)	$ (8,044)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

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

	2009	2008
OPERATING		
Net income and comprehensive income for the year	$ **2,858**	$ 2,458
Non-cash items related to operations		
(Gain) loss on disposal of assets	**(4)**	118
Amortization	**1,312**	1,010
Retirement allowance	**(8)**	(8)
Customer deposits	**21**	
Working capital from operations	**4,179**	3,578
Net change in working capital	**(413)**	(658)
	3,766	2,920
FINANCING		
(Decrease) increase in due to The City of Winnipeg - General Revenue Fund	**(1,472)**	457
Proceeds from long-term debt	**1,807**	2,054
Transfer to The City of Winnipeg - General Revenue Fund	**-**	(2,270)
	335	241
INVESTING		
Proceeds from the sale of capital assets	**6**	-
Purchase of capital assets	**(4,146)**	(3,096)
	(4,140)	(3,096)
(DECREASE) INCREASE IN CASH POSITION	**(39)**	65
CASH POSITION, BEGINNING OF YEAR	**72**	7
CASH POSITION, END OF YEAR	$ **33**	$ 72

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. *Description of Business*

On March 20, 1997, City 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, City 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, City 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 City Council.

The Winnipeg Parking Authority - Special Operating Agency ("the Agency") 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 City"). 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. *Significant Accounting Policies*

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

a) Revenue and expense recognition

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in 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. *Significant Accounting Policies (continued)*

c) Property, equipment and leasehold improvements

Land and equipment were transferred January 1, 2005 from the City at a fair value as determined by independent consultants.

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
Surface parking lots	5%
Parkades	2%
Vehicles	20%
Meters and pay stations	10%
Equipment	10-20%
Computer and advanced license plate recognition	33%
Office furniture and equipment	20%
Parkade betterments	5%

d) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates. These estimates and assumptions are based on the City's best information and judgement and may differ significantly from actual results.

e) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

3. *Financial Instruments*

The Agency's financial assets and liabilities are comprised of cash, accounts receivable, due to The City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, vacation payable, customer deposits and long-term debt. The Agency is exposed to financial risks arising from its financial assets and liabilities.

Financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's cash is classified as held-for-trading and the accounts receivable are classified as loans and receivables. Due to The City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, vacation payable, customer deposits and long-term debt have been classified as other liabilities. Financial assets classified as held-for-trading are reported at fair value with changes in fair value recognized in the Statement of Operations and Deficit and transaction costs related to this classification of financial instruments are expensed as incurred. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-to-maturity or available-for-sale. The book value of the Agency's financial assets and liabilities approximates their fair value.

3. *Financial Instruments (continued)*

Credit Risk

Credit risk is the risk a customer will fail to perform an obligation or fail to pay amounts due causing a financial loss to the Agency. Financial instruments affected mostly by credit risk are accounts receivable.

As the Agency is in the business of managing all city-owned parking facilities and enforcing parking related bylaws, included in accounts receivable are amounts from various City of Winnipeg departments and other customers, which use the Agency's facilities and have outstanding citations. The Agency does not have significant exposure to credit risk given it does not have a significant amount of accounts receivable owing from one party. A reasonable allowance for noncollectible amounts is established, which is netted against accounts receivable on the Statement of Financial Position.

The age of accounts receivable and the allowance for doubtful accounts as at December 31, 2009 are as follows:

Current	$	681
Less than one year past due		1,364
Greater than one year past due		2,655
		4,700
Allowance for doubtful accounts		(2,331)
	$	2,369

The Agency does not hold collateral as security for these balances.

Liquidity Risk

Liquidity risk is the risk the Agency will encounter difficulty in meeting obligations associated with financial liabilities. Due to the Agency's relationship with The City of Winnipeg, it can rely upon sufficient financial resources from that source in the event internally generated cash flows or cash flows accessible through external sources are insufficient. Amounts due to The City of Winnipeg - General Revenue Fund are treated as subordinate to other obligations and have no fixed terms of repayment. The Agency's most recent business plan indicates that cash resources will be sufficient to meet its obligations.

Market Risk

Market risk is the risk the Agency is exposed to concerning the fair value of future cash flows of a financial instrument fluctuating because of changes in market price. For the Agency, the most significant aspect of market risk would be interest rate risk. Financial instruments affected mostly by interest rate risk are long-term debt and due to The City of Winnipeg - General Revenue Fund.

As the Agency's long-term debt is comprised entirely of fixed rate instruments, the Agency is not exposed to this risk. The Agency's due to The City of Winnipeg - General Revenue Fund is subject to floating interest rates and is used for short-term financing, which limits the Agency's exposure to this risk.

4. *Capital Management*

The Agency does not have any externally imposed capital requirements requiring compliance.

5. *Inventory*

The inventory expensed during the year was $16 thousand.

6. *Property, Equipment and Leasehold Improvements*

	Cost	Accumulated Amortization	Net Book Value 2009	2008
Land	$ 73	$ -	$ 73	$ 73
Leasehold improvements	529	123	406	321
Parking surfaces	408	27	381	65
Parkades	11,067	1,080	9,987	9,867
Vehicles	218	121	97	92
Meters and pay stations	9,419	1,919	7,500	5,471
Equipment	1,336	431	905	671
Computer equipment	377	351	26	13
Office furniture and equipment	232	146	86	56
	$ 23,659	$ 4,198	$ 19,461	$ 16,629

7. *Due to 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 to" 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, 2009 effective interest rate was 0.2% (2008 - 1.5%).

Interest paid to The City of Winnipeg General Revenue Fund on the line of credit was $39 thousand for the year (2008 - $220 thousand).

8. *Long-Term Debt*

	2009	2008
The City of Winnipeg - General Revenue Fund		
Start-up loan, interest at 6%, with no specific terms of repayment	$ 12,218	$ 12,218
Equipment financing		
Capital lease loans repayable in annual installments of $7 thousand to $482 thousand, including an imputed interest rate of 6.9% with maturity dates between August 2009 and March 2011	1,113	1,907
Capital lease loans repayable in annual installments of $181 thousand to $780 thousand, including an imputed interest rate of 4.5% with maturity dates between January 2013 and October 2013	5,398	2,797
	18,729	16,922
Current portion of long-term debt	(14,254)	(13,012)
	$ 4,475	$ 3,910

8. *Long-Term Debt (continued)*

a) Principal repayments on the equipment financing loans due within the next four years are as follows:

2010	$ 2,036
2011	1,657
2012	1,378
2013	1,440
	$ 6,511

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil during 2009 (2008 - $733 thousand).

9. *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, $72 thousand (2008 - $68 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, 2008 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. An actuarial valuation report of the obligation was prepared effective December 31, 2008. The results of this valuation were extrapolated to December 31, 2009.

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

	2009	2008
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 85**	$ 93
Current service cost	**5**	6
Interest cost	**4**	4
Benefit payments	**(19)**	(18)
Net actuarial gain	**23**	-
Balance, end of year	**98**	85
Unamortized net actuarial gain	**(19)**	2
Retirement allowance - accrued liability	**$ 79**	$ 87

9. Employee Benefits (continued)

Retirement allowance expense consists of the following:

	2009	2008
Current service cost	$ 5	$ 6
Interest cost	4	4
Amortization of net actuarial gain	2	-
	$ 11	$ 10

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

	2009	2008
Valuation interest rate	**4.40%**	4.80%
General increases in pay	**3.00%**	3.00%

10. Enforcement Revenue

Prior to 2005, enforcement revenue was accounted for using the cash basis of accounting by the City. 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. Collections of pre-2005 citations during the year amounted to $344 thousand (2008 - $712 thousand).

11. Income Tax Equivalency

Commencing 2009, tax equivalency charges are no longer transferred to the City of Winnipeg General Revenue Fund (2008 - $500 thousand).

12. Related Party Transactions

The Agency is wholly-owned by the City. Transactions between the Agency and the City 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.

a) Revenues include sales of $664 thousand (2008 - $533 thousand) to the City.

b) An amount of $36 thousand (2008 - $36 thousand) for general government charges has been included and paid to The City of Winnipeg General Revenue Fund which represents the estimated share of the City's general expenses applicable to the Agency.

c) In Services, an amount of $123 thousand (2008 - $114 thousand) has been charged by The City of Winnipeg Civic Accommodations Fund for the rental of office space.

d) Commencing 2009, overhead charges are no longer transferred to the City of Winnipeg General Revenue Fund (2008 - $203 thousand).

e) An amount of $234 thousand (2008 - $241 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of information technology, finance and human resources support services.

f) An amount of $126 thousand (2008 - $267 thousand) has been charged by The City of Winnipeg Building Services Fund for services provided at the various locations.

12. Related Party Transactions (continued)

g) In Services, an amount of $48 thousand (2008 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

h) An amount of $680 thousand (2008 - $658 thousand) has been transferred to The City of Winnipeg General Revenue Fund for payments-in-lieu of municipal taxes. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned.

i) In Services, an amount of $367 thousand (2008 - $315 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance, fuel, maintenance and rental on vehicles owned/leased by the Agency.

j) In Accounts receivable, an amount of $10 thousand (2008 - $27 thousand) is included for parking charges owing from the City.

k) An amount of $123 thousand (2008 - $nil) has been charged by The City of Winnipeg General Revenue Fund for the cost for 311 services.

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

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