Financial Statements of

THE CITY OF WINNIPEG - PARKING AUTHORITY - SPECIAL OPERATING AGENCY

Year ended December 31, 2011

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The City of Winnipeg - Parking Authority - Special Operating Agency, which comprise the statement of financial position as at December 31, 2011 and the statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The City of Winnipeg - Parking Authority - Special Operating Agency as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

May 23, 2012

Winnipeg, Canada

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2011	2010
FINANCIAL ASSETS		
Cash	**$ 87**	$ 96
Accounts receivable	**4,278**	3,115
Due from The City of Winnipeg - Land Operating Reserve (Note 3)	**10,000**	23,516
	14,365	26,727
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 4)	**1,653**	8,037
Accounts payable and accrued liabilities	**912**	1,056
Deferred revenue	**236**	242
Debt (Note 5)	**6,736**	16,693
Accrued employee benefits (Note 6)	**251**	227
	9,788	26,255
NET FINANCIAL ASSETS	**4,577**	472
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**9,896**	10,671
Inventories	**111**	457
Prepaid expenses	**10**	24
	10,017	11,152
ACCUMULATED SURPLUS (Note 8)	**$ 14,594**	$ 11,624

Commitments (Note 9)

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
REVENUES			
Enforcement (Note 10)	**$ 7,334**	**$ 7,929**	$ 6,536
Parking fees (Note 11a)			
Winnipeg Square parkade	**-**	**-**	1,060
Millennium Library parkade	**1,443**	**1,037**	911
Civic Centre parkade	**875**	**867**	917
Surface parking lots	**1,139**	**1,357**	1,314
Meters	**5,393**	**5,119**	4,666
Parking permits	**99**	**94**	75
Ground lease	**-**	**-**	109
Gain on disposal of tangible capital assets	**-**	**-**	15,839
Sundry	**2**	**5**	-
Total Revenues	**16,285**	**16,408**	31,427
EXPENSES			
Services (Notes 11c, f, and h)			
Enforcement - contracts	**3,081**	**2,727**	3,255
Parkade management	**241**	**608**	576
Meters	**478**	**597**	915
Utilities	**976**	**928**	1,384
Other services	**1,725**	**1,674**	2,168
Salaries and employee benefits (Note 6)	**1,901**	**1,641**	1,277
Material, parts and supplies (Note 11e)	**1,758**	**1,913**	1,703
Amortization	**1,647**	**1,355**	1,355
Recoveries	**-**	**(27)**	-
Provision for bad debts	**718**	**768**	640
Debt and finance charges (Notes 4 and 5b)	**322**	**333**	431
Other (Notes 11b, d, g, and j)	**895**	**879**	1,026
Total Expenses	**13,742**	**13,396**	14,730
Excess Revenues over Expenses	**2,543**	**3,012**	16,697
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR	**11,624**	**11,624**	(5,029)
Distribution to The City of Winnipeg (Note 11k)	**-**	**(42)**	(44)
ACCUMULATED SURPLUS - END OF YEAR	**$ 14,167**	**$ 14,594**	$ 11,624

See accompanying notes and schedule 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:

	2011	2010
OPERATING		
Excess of revenues over expenses	**$ 3,012**	$ 16,697
Non-cash items related to operations		
Gain on disposal of tangible capital assets	**-**	(15,839)
Amortization	**1,355**	1,355
Retirement allowance and compensated absences	**27**	11
	4,394	2,224
Net change in non-cash working capital balances related to operations	**12,560**	(23,578)
Cash provided by (used in) operating activities	**16,954**	(21,354)
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(6,384)**	223
Repayment of long-term debt	**(9,957)**	(2,036)
Transfer to The City of Winnipeg - General Revenue Fund	**(42)**	(44)
Cash used in financing activities	**(16,383)**	(1,857)
CAPITAL		
Proceeds on disposal of tangible capital assets	**-**	23,534
Purchase of tangible capital assets	**(580)**	(260)
Cash (used in) provided by capital activities	**(580)**	23,274
(DECREASE) INCREASE IN CASH	**(9)**	63
CASH, BEGINNING OF YEAR	**96**	33
CASH, END OF YEAR	**$ 87**	$ 96

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF CHANGE OF NET FINANCIAL ASSETS

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

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
EXCESS REVENUES OVER EXPENSES	**$ 2,543**	**$ 3,012**	$ 16,697
Amortization of tangible capital assets	**1,647**	**1,355**	1,355
Proceeds on disposal of tangible capital assets	**-**	**-**	23,534
Gain on disposal of tangible capital assets	**-**	**-**	(15,839)
Change in inventories and prepaid expenses	**400**	**360**	**-**
Other	**10**	**-**	**-**
Transfer to The City of Winnipeg General Revenue Fund	**-**	**(42)**	(44)
Acquisition of tangible capital assets	**(1,441)**	**(580)**	(260)
INCREASE IN NET FINANCIAL ASSETS	**3,159**	**4,105**	25,443
NET FINANCIAL ASSETS **(LIABILITIES), BEGINNING OF YEAR**	**457**	**472**	(24,971)
NET FINANCIAL ASSETS, END OF YEAR	**$ 3,616**	**$ 4,577**	$ 472

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011
(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 by management in accordance with Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

a) Basis of accounting

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) Deferred revenue

Certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or services performed.

c) 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 assets (liabilities) for the year.

2. Significant Accounting Policies (continued)

i) Tangible capital assets

Land and equipment were transferred January 1, 2005 from the City at a fair market 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. The amortization rates are as follows:

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

ii) 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.

iii) Inventories

Inventories held for consumption is recorded at the lower of cost and replacement cost.

d) 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.

e) Use of estimates

The preparation of financial statement in conformity with Canadian generally acceptable accounting principles requires management to make estimates. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

3. Due from The City of Winnipeg - Land Operating Reserve

In 2010, Winnipeg Square Parkade was sold and the proceeds of disposition were deposited to The City of Winnipeg - Land Operating Reserve. There is no specific repayment terms on the receivable.

4. 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, 2011 effective interest rate was 0.95% (2010 - 0.95%).

Interest paid to The City of Winnipeg General Revenue Fund on the line of credit was $76 thousand for the year (2010 - $48 thousand).

5. Debt

	2011	2010
The City of Winnipeg - General Revenue Fund		
Start-up loan with no specific terms of repayment	**$ 3,918**	$ 12,218
Equipment financing		
Capital lease loans repayable in annual installments of $339 thousand including an imputed interest rate of 6.9% which matured March 2011	**-**	339
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	**2,818**	4,136
	$ 6,736	$ 16,693

a) Principal repayments on the equipment financing loans due to maturity are as follows:

2012	$ 1,378
2013	1,440
	$ 2,818

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2010 - $nil)

6. Accrued Employee Benefits

a) Retirement allowance and compensated absences

	2011	2010
Retirement allowance - accrued benefit liability	**$ 104**	$ 89
Vacation	**119**	122
Compensated absences	**28**	16
	$ 251	$ 227

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 10.6 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.

6. Accrued Employee Benefits (continued)

The Agency measures its accrued retirement allowance liability as at December 31 of each year. An actuarial valuation report of the liability was prepared effective December 31, 2011.

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 are as follows:

	2011		2010	
	Retirement Allowance	**Compensated Absences**	Retirement Allowance	Compensated Absences
Accrued benefit liability:				
Balance, beginning of year	**$ 110**	**$ 15**	$ 98	$ 14
Current service cost	**8**	**47**	5	-
Interest cost	**4**	**1**	4	1
Benefit payments	**-**	**(36)**	-	-
Net actuarial (loss)/gain	**(19)**	**(15)**	3	-
Balance, end of year	**103**	**12**	110	15
Unamortized net actuarial gain/(loss)	**1**	**16**	(21)	1
Accrued benefit liability	**$ 104**	**$ 28**	$ 89	$ 16
Benefit expense:				
Current service cost	**$ 8**	**$ 47**	$ 5	$ -
Interest cost	**4**	**1**	4	1
Amortization of net actuarial gain/(loss)	**3**	**-**	1	-
	$ 15	**$ 48**	$ 10	$ 1
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 89**	**$ 16**	$ 79	$ 15
Benefit expense	**15**	**48**	10	1
Benefit payments	**-**	**(36)**	-	-
	$ 104	**$ 28**	$ 89	$ 16

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

	2011	2010
Valuation interest rate	**3.60%**	3.90%
General increases in pay	**3.50%**	3.00%

b) 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, $103 thousand (2010 - $84 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, 2010 and it has an actuarial surplus.

7. Tangible Capital Assets

	Net Book Value	
	2011	2010
Land	**$ 73**	$ 73
Parkades	**2,314**	2,374
Authority assets		
Leasehold improvements	**335**	370
Parking surfaces	**381**	404
	716	774
Equipment		
Vehicles	**117**	71
Meters and pay stations	**5,685**	6,635
Equipment	**662**	657
Computer equipment	**290**	33
Office furniture and equipment	**39**	54
	6,793	7,450
	$ 9,896	$ 10,671

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

8. Accumulated Surplus

	Budget 2011 (Unaudited)	**Actual 2011**	Actual 2010
Capital	**$ 15,185**	**$ 15,185**	$ 15,185
Contributed surplus	**172**	**172**	172
Operating	**(1,190)**	**(763)**	(3,733)
	$ 14,167	**$ 14,594**	$ 11,624

9. Commitments

The Agency has entered into lease agreements mainly for the lease of vehicles. Future minimum annual lease payments are as follows:

	Operating Leases
2012	$ 247
2013	143
2014	86
2015	51
2016 and thereafter	66
	$ 593

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 accounted for $273 thousand (2010 - $149 thousand) during 2011.

11. 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 $491 thousand (2010 - $523 thousand) to the City.

b) An amount of $37 thousand (2010 - $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 (2010 - $123 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.

d) An amount of $279 thousand (2010 - $272 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of information technology, finance and human resources support services.

e) An amount of $117 thousand (2010 - $162 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various locations.

f) In Services, an amount of $48 thousand (2010 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

g) An amount of $433 thousand (2010 - $591 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.

h) In Services, an amount of $352 thousand (2010 - $386 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.

i) In accounts receivable, an amount of $61 thousand (2010 - $25 thousand) is included for parking charges owing from the City.

j) An amount of $130 thousand (2010 - $127 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost for 311 services.

k) An amount of $42 thousand (2010 - $44 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

12. Comparative Figures

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

THE CITY OF WINNIPEG **Schedule 1**
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Parkades	Authority Assets	Equipment	Total 2011	Total 2010
Cost						
Balance, beginning of year	**$ 73**	**$ 2,681**	**$ 981**	**$ 11,278**	**$ 15,013**	$ 23,659
Add:						
Additions during the year	**-**	**2**	**-**	**578**	**580**	260
Less:						
Disposals during the year	**-**	**-**	**-**	**(547)**	**(547)**	(8,906)
Balance, end of year	**73**	**2,683**	**981**	**11,309**	**15,046**	15,013
Accumulated amortization						
Balance, beginning of year	**-**	**307**	**207**	**3,828**	**4,342**	4,198
Add:						
Amortization	**-**	**62**	**58**	**1,235**	**1,355**	1,355
Less:						
Accumulated amortization on disposals	**-**	**-**	**-**	**(547)**	**(547)**	(1,211)
Balance, end of year	**-**	**369**	**265**	**4,516**	**5,150**	4,342
Net Book Value of Tangible Capital Assets	**$ 73**	**$ 2,314**	**$ 716**	**$ 6,793**	**$ 9,896**	$ 10,671