Financial Statements of

THE CITY OF WINNIPEG - PARKING AUTHORITY - SPECIAL OPERATING AGENCY

Year ended December 31, 2013

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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, 2013 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, 2013, 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

April 23, 2014

Winnipeg, Canada

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2013	2012
FINANCIAL ASSETS		
Cash	**$ 29**	$ 53
Accounts receivable	**4,258**	4,547
Due from The City of Winnipeg - Land Operating Reserve (Note 3)	**10,000**	10,000
Due from The City of Winnipeg - General Revenue Fund (Note 4)	**-**	201
	14,287	14,801
LIABILITIES		
Due to The City of Winnipeg - General Revenue Fund (Note 4)	**1,489**	-
Accounts payable and accrued liabilities	**922**	661
Deferred revenue	**115**	191
Debt (Note 5)	**4,612**	6,022
Accrued employee benefits (Note 6)	**288**	244
	7,426	7,118
NET FINANCIAL ASSETS	**6,861**	7,683
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**9,890**	7,804
Inventories	**201**	121
Prepaid expenses	**48**	1
	10,139	7,926
ACCUMULATED SURPLUS (Note 8)	**$ 17,000**	$ 15,609

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 2013 (Unaudited)	Actual 2013	Actual 2012
REVENUES			
Enforcement (Note 10)	$ 8,297	$ 7,742	$ 8,190
Meters	5,291	5,664	5,186
Parking fees (Note 11a)			
Surface parking lots	1,113	1,362	1,454
Millennium Library parkade	681	580	694
Civic Centre parkade	-	4	608
Special events	95	300	256
Parking permits	97	100	80
Sundry	-	44	44
Total Revenues	15,574	15,796	16,512
EXPENSES			
Services (Notes 11c, f, h and l)			
Enforcement - contracts	2,668	2,680	2,609
Utilities	1,031	1,033	1,133
Parkade management	250	255	313
Meters	40	32	171
Special events	80	126	94
Other services (Note 11e)	2,513	2,404	2,228
Salaries and employee benefits (Note 6)	2,675	2,371	1,979
Amortization	1,622	1,546	1,930
Material, parts and supplies	1,365	1,192	1,766
Provision for bad debts	758	1,367	1,219
Write-down of tangible capital assets	-	-	963
Debt and finance charges (Notes 4 and 5b)	172	178	216
Recoveries	-	(18)	(141)
Other (Notes 11b, d, g, j and k)	1,310	1,239	1,017
Total Expenses	14,484	14,405	15,497
Excess Revenues over Expenses	1,090	1,391	1,015
ACCUMULATED SURPLUS, BEGINNING OF YEAR	15,609	15,609	14,594
ACCUMULATED SURPLUS - END OF YEAR	$ 16,699	$ 17,000	$ 15,609

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 years ended December 31
(in thousands of dollars)

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	**$ 1,391**	$ 1,015
Non-cash items related to operations		
Write-down of tangible capital assets	**-**	963
Amortization	**1,546**	1,930
Retirement allowance and compensated absences	**-**	(36)
	2,937	3,872
Net change in non-cash working capital balances related to operations	**391**	99
Cash provided by operating activities	**3,328**	3,971
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**1,690**	(1,854)
Repayment of debt	**(1,410)**	(1,350)
Cash used in financing activities	**280**	(3,204)
CAPITAL		
Purchase of tangible capital assets	**(3,632)**	(801)
Cash used in capital activities	**(3,632)**	(801)
DECREASE IN CASH	**(24)**	(34)
CASH, BEGINNING OF YEAR	**53**	87
CASH, END OF YEAR	**$ 29**	$ 53

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 years ended December 31
(in thousands of dollars)

	Budget 2013 (Unaudited)	Actual 2013	Actual 2012
EXCESS REVENUES OVER EXPENSES	**$ 1,090**	**$ 1,391**	$ 1,015
Amortization of tangible capital assets	**1,622**	**1,546**	1,930
Change in inventories and prepaid expenses	**-**	**(127)**	(1)
Write-down of tangible capital assets	**-**	**-**	963
Acquisition of tangible capital assets	**(2,366)**	**(3,632)**	(801)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	**346**	**(822)**	3,106
NET FINANCIAL ASSETS , BEGINNING OF YEAR	**3,629**	**7,683**	4,577
NET FINANCIAL ASSETS, END OF YEAR	**$ 3,975**	**$ 6,861**	$ 7,683

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, 2013
(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 public sector accounting standards. 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 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	4%
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 from/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 from/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, 2013 effective interest rate was 0.95% (2012 - 0.95%).

Interest received from The City of Winnipeg General Revenue Fund on the line of credit was $1 thousand for the year (2012 - paid $4 thousand).

5. *Debt*

	2013	2012
The City of Winnipeg - General Revenue Fund		
Start-up loan with no specific terms of repayment	**$ 3,918**	$ 3,918
Equipment financing		
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 2014 and October 2014	**694**	2,104
	$ 4,612	$ 6,022

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

2014	$ 694

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2012 - $nil).

6. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	2013	2012
Vacation	**$ 177**	$ 148
Retirement allowance - accrued benefit liability	**83**	68
Compensated absences	**28**	28
	$ 288	$ 244

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 of the liability was calculated as of July 31, 2012. The results of this valuation were extrapolated to the financial reporting date of December 31, 2013 using year-end 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 are as follows:

	2013		2012	
	Retirement Allowance	**Compensated Absences**	Retirement Allowance	Compensated Absences
Accrued benefit liability:				
Balance, beginning of year	**$ 101**	**$ 13**	$ 103	$ 12
Current service cost	**7**	**1**	7	1
Interest cost	**4**	**1**	4	-
Benefit payments	**-**		(48)	-
Net actuarial (gain)/loss	**(9)**		35	-
Balance, end of year	**103**	**15**	101	13
Unamortized net actuarial (loss)/gain	**(20)**	**13**	(33)	15
Accrued benefit liability	**$ 83**	**$ 28**	$ 68	$ 28
Benefit expense:				
Current service cost	**$ 7**	**$ 1**	$ 7	$ 1
Interest cost	**4**	**1**	4	-
Amortization of net actuarial gain/(loss)	**-** / **4**	**-** / **(2)**	1	(1)
	$ 15	**$ -**	$ 12	$ -
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 68**	**$ 28**	$ 104	$ 28
Benefit expense	**15**	**-**	12	-
Benefit payments	**-**	**-**	**(48)**	-
	$ 83	**$ 28**	$ 68	$ 28

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

	2013	2012
Valuation interest rate	**3.70%**	3.60%
General increases in pay	**3.50%**	3.50%

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, $175 thousand (2012 - $141 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, 2012 and it has an actuarial surplus.

7. *Tangible Capital Assets*

	Net Book Value 2013	2012
Land	$ 73	$ 73
Parkades	4,380	1,301
Authority assets		
Leasehold improvements	280	316
Parking surfaces	324	345
	604	661
Equipment		
Vehicles	21	63
Meters and pay stations	4,487	5,144
Equipment	255	369
Computer equipment	59	170
Office furniture and equipment	11	23
	4,833	5,769
	$ 9,890	$ 7,804

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

During the year, $nil (2012 - $963 thousand) of tangible capital assets were written-down.

8. *Accumulated Surplus*

	Budget 2013 (Unaudited)	Actual 2013	Actual 2012
Capital	$ 15,185	$ 15,185	$ 15,185
Contributed surplus	172	172	172
Operating	1,342	1,643	252
	$ 16,699	$ 17,000	$ 15,609

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
2014	$ 92
2015	61
2016	34
2017 and thereafter	18
	$ 205

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 $59 thousand (2012 - $105 thousand) during 2013.

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 $329 thousand (2012 - $551 thousand) to the City.

b) An amount of $37 thousand (2012 - $37 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 $137 thousand (2012 - $127 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.

d) An amount of $286 thousand (2012 - $279 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 $114 thousand (2012 - $122 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 (2012 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

g) An amount of $418 thousand (2012 - $407 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 $372 thousand (2012 - $362 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 $nil (2012 - $nil) is included for parking charges owing from the City.

j) An amount of $133 thousand (2012 - $133 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost for 311 services.

k) An amount of $42 thousand (2012 - $42 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

l) In Services, an amount of $24 thousand (2012 - $nil) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for flange repairs made to paystations.

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	Land	Parkades	Authority Assets	Equipment	Total 2013	Total 2012
Cost						
Balance, beginning of year	$ 73	$ 1,773	$ 998	$ 11,695	$ 14,539	$ 15,046
Add:						
Additions during the year	-	3,231	-	401	3,632	801
Less:						
Write-down of tangible capital assets	-	-	-	-	-	(1,308)
Disposals during the year	-	-	-	-	-	-
Balance, end of year	73	5,004	998	12,096	18,171	14,539
Accumulated amortization						
Balance, beginning of year	-	472	337	5,926	6,735	5,150
Add:						
Amortization	-	152	58	1,336	1,546	1,930
Less:						
Write-down of tangible capital assets	-		-		-	(345)
Accumulated amortization on disposals	-	-	-	-	-	-
Balance, end of year	-	624	395	7,262	8,281	6,735
Net Book Value of Tangible Capital Assets	$ 73	$ 4,380	$ 603	$ 4,834	$ 9,890	$ 7,804