Financial Statements of

THE CITY OF WINNIPEG - PARKING AUTHORITY - SPECIAL OPERATING AGENCY

Year ended December 31, 2017

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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, 2017 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.

Auditors' 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, 2017, 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 Professional Accountants

May 3, 2018

Winnipeg, Canada

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2017	2016
FINANCIAL ASSETS		
Cash	**$ 78**	$ 55
Due from The City of Winnipeg - General Revenue Fund (Note 3)	**9,221**	4,372
Accounts receivable	**2,375**	1,874
Due from The City of Winnipeg - Land Operating Reserve (Note 4)	**9,405**	10,000
	21,079	16,301
LIABILITIES		
Accounts payable and accrued liabilities	**289**	1,096
Deferred revenue	**133**	106
Debt (Note 5)	**3,918**	3,918
Accrued employee benefits (Note 6)	**506**	410
	4,846	5,530
NET FINANCIAL ASSETS	**16,233**	10,771
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**6,096**	6,806
Inventories	**221**	181
Prepaid expenses	**1**	1
	6,318	6,988
ACCUMULATED SURPLUS (Note 8)	**$ 22,551**	$ 17,759

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 2017	Actual 2017	Actual 2016
REVENUES			
Enforcement	**$ 7,586**	**$ 8,370**	$ 7,106
Meters	**6,106**	**6,893**	6,775
Parking fees (Note 9c)			
Surface parking lots	**1,818**	**1,698**	1,521
Millennium Library parkade	**803**	**1,276**	953
Special events	**486**	**584**	568
Parking permits	**91**	**110**	99
Sundry	**58**	**91**	73
Total Revenues	**16,948**	**19,022**	17,095
EXPENSES			
Services (Notes 9b, d, and h)			
Enforcement - contracts	**3,297**	**2,914**	3,042
Meters	**1,891**	**1,572**	1,603
Utilities	**436**	**333**	354
Parkade management	**271**	**224**	230
Special events	**160**	**138**	129
Other services (Note 9f)	**1,703**	**924**	1,068
Salaries and employee benefits (Note 6)	**3,859**	**3,324**	3,105
Amortization	**1,194**	**1,185**	1,240
Materials, parts and supplies	**1,756**	**880**	720
Provision for bad debts	**838**	**828**	934
Debt and finance charges	**183**	**232**	188
Recoveries	**(3)**	**(26)**	(42)
Other (Notes 9a, e, g, i and j)	**3,077**	**1,202**	1,412
Total Expenses	**18,662**	**13,730**	13,983
Excess (Deficiency) of Revenues over Expenses before Other	**(1,714)**	**5,292**	3,112
OTHER			
Transfer to The City of Winnipeg - General Revenue Fund (Note 9k)	**500**	**500**	-
Annual (Deficiency) Excess of Revenues over Expenses	**(2,214)**	**4,792**	3,112
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**17,759**	**17,759**	14,647
ACCUMULATED SURPLUS, END OF YEAR	**$ 15,545**	**$ 22,551**	$ 17,759

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)

	2017	2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenues over expenses	**$ 4,792**	$ 3,112
Non-cash items related to operations		
Amortization	**1,185**	1,240
	5,977	4,352
Net change in non-cash working capital balances related to operations	**(1,225)**	(1,092)
Cash provided by operating activities	**4,752**	3,260
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**(4,849)**	(2,835)
Change in due from/to The City of Winnipeg - Land Operating Reserve	**595**	-
Cash used in financing activities	**(4,254)**	(2,835)
CAPITAL		
Purchase of tangible capital assets	**(475)**	(409)
Cash used in capital activities	**(475)**	(409)
INCREASE (DECREASE) IN CASH	**23**	16
CASH, BEGINNING OF YEAR	**55**	39
CASH, END OF YEAR	**$ 78**	$ 55

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 2017	Actual 2017	Actual 2016
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**$ (2,214)**	**$ 4,792**	$ 3,112
Amortization of tangible capital assets	**1,194**	**1,185**	1,240
Change in inventories and prepaid expenses	**-**	**(40)**	(76)
Acquisition of tangible capital assets	**(1,338)**	**(475)**	(409)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	**(2,358)**	**5,462**	3,867
NET FINANCIAL ASSETS , BEGINNING OF YEAR	**8,519**	**10,771**	6,904
NET FINANCIAL ASSETS, END OF YEAR	**$ 6,161**	**$ 16,233**	$ 10,771

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, 2017
(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.

iv) Accounting policy changes

The Public Sector Accounting Board issued updated standards, PS 3210 Asset, PS 3320 Contingent Assets and PS 3390 Contractual Rights. The new standards apply to the Agency for the fiscal year beginning January 1, 2018. As permitted in the standards, the Agency adopted these standards for the year ended December 31, 2017 and thus, they have been utilized for the preparation of these consolidated financial statements. As a result of this adoption, no material impacts on the financial statements occurred.

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 - 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, 2017 effective interest rate was 0.85% (2016 - 0.35%).

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

Interest received from The City of Winnipeg General Revenue Fund on the line of credit was $40 thousand for the year (2016 - $10 thousand).

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. In 2017 a payment of $595 thousand was received from The City of Winnipeg - Land Operating Reserve.

5. Debt

	2017	2016
The City of Winnipeg - General Revenue Fund		
Start-up loan with no specific terms of repayment	**$ 3,918**	$ 3,918
	$ 3,918	$ 3,918

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2016 - $nil).

6. Accrued Employee Benefits

a) Retirement allowance, vacation and compensated absences

	2017	2016
Vacation	**$ 294**	$ 226
Retirement allowance - accrued benefit liability	**150**	133
Compensated absences	**62**	51
	$ 506	$ 410

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 14.3 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 liability as at December 31 of each year. An actuarial valuation of the liability was calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2017 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.

6. *Accrued Employee Benefits (continued)*

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

	2017		2016	
	Retirement Allowance	**Compensated Absences**	Retirement Allowance	Compensated Absences
Accrued benefit liability:				
Balance, beginning of year	**$ 145**	**$ 115**	$ 147	$ 110
Current service cost	**11**	**15**	11	15
Interest cost	**4**	**4**	4	3
Benefit payments	**-**	**(13)**	-	(13)
Net actuarial (gain)/loss	**(1)**	**6**	(17)	-
Balance, end of year	**159**	**127**	145	115
Unamortized net actuarial (loss)/gain	**(9)**	**(65)**	(12)	(64)
Accrued benefit liability	**$ 150**	**$ 62**	$ 133	$ 51
Benefit expense:				
Current service cost	**$ 11**	**$ 15**	$ 11	$ 15
Interest cost	**4**	**4**	4	3
Amortization of net actuarial (gain)/loss	**2**	**5**	3	5
	$ 17	**$ 24**	$ 18	$ 23
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 133**	**$ 51**	$ 115	$ 41
Benefit expense	**17**	**24**	18	23
Benefit payments	**-**	**(13)**	-	(13)
	$ 150	**$ 62**	$ 133	$ 51

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

	2017	2016
Valuation interest rate	**3.00%**	3.00%
General increases in pay	**2.50%**	2.50%

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, $271 thousand (2016 - $253 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, 2016 and it has an actuarial surplus.

7. *Tangible Capital Assets*

	Net Book Value 2017	2016
Land	**$ 73**	$ 73
Parkades	**4,067**	4,318
Authority assets		
Leasehold improvements	**368**	421
Parking surfaces	**186**	250
	554	671
Equipment		
Meters and pay stations	**896**	1,561
Equipment	**308**	82
Computer equipment	**38**	42
Office furniture and equipment	**23**	25
Vehicles	**137**	34
	1,402	1,744
	$ 6,096	$ 6,806

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

During the year, $105 thousand (2016 - $nil) of tangible capital assets were written-down. The prior year write down was a result of a retroactive change to the estimated lifespan of audio/visual equipment.

8. *Accumulated Surplus*

	Budget 2017	Actual 2017	Actual 2016
Restricted funds for future investment	**$ 10,000**	**$ 12,000**	$ 12,000
Invested in tangible capital assets	**3,288**	**2,105**	2,815
Contributed surplus	**73**	**73**	73
Operating	**2,184**	**8,373**	2,871
	$ 15,545	**$ 22,551**	$ 17,759

9. *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) An amount of $349 thousand (2016 - $347 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of information technology, finance and human resources support services.

b) In Services, an amount of $391 thousand (2016 - $341 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.

c) Revenues include sales of $679 thousand (2016 - $299 thousand) to the City.

9. Related Party Transactions (continued)

d) In Services, an amount of $254 thousand (2016 - $283 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.

e) An amount of $202 thousand (2016 - $195 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.

f) An amount of $119 thousand (2016 - $163 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various locations.

g) An amount of $133 thousand (2016 - $133 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of 311 services.

h) In Services, an amount of $48 thousand (2016 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

i) An amount of $42 thousand (2016 - $42 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

j) An amount of $38 thousand (2016 - $38 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.

k) An amount of $500 thousand (2016 - $nil) has been transferred to The City of Winnipeg General Revenue Fund as a return on investment.

10. Comparative Figures

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

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 2017	Total 2016
Cost						
Balance, beginning of year	**$ 73**	**6,668**	**1,237**	**12,679**	**20,657**	$ 20,248
Add:						
Additions during the year	**-**	**18**	**18**	**439**	**475**	409
Less:						
Write-down of tangible capital assets			**(105)**		**(105)**	
Disposals during the year	**-**	**-**		**-**	**-**	-
Balance, end of year	**73**	**6,686**	**1,150**	**13,118**	**21,027**	20,657
Accumulated amortization						
Balance, beginning of year	**-**	**2,350**	**566**	**10,935**	**13,851**	12,611
Add:						
Amortization	**-**	**269**	**135**	**781**	**1,185**	1,240
Less:						
Write-down of tangible capital assets			**(105)**		**(105)**	
Accumulated amortization on disposals	**-**	**-**	**-**		**-**	-
Balance, end of year	**-**	**2,619**	**596**	**11,716**	**14,931**	13,851
Net Book Value of Tangible Capital Assets	**$ 73**	**$ 4,067**	**$ 554**	**$ 1,402**	**$ 6,096**	$ 6,806