Financial Statements of

THE CITY OF WINNIPEG - PARKING AUTHORITY - SPECIAL OPERATING AGENCY

And Independent Auditors' Report thereon

Year ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of The City of Winnipeg - Parking Authority - Special Operating Agency (the "Entity"), which comprise the statement of financial position as at December 31, 2021, the statements of operations and accumulated surplus, cash flows and the statement of change in net financial assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

May 23, 2022

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2021	2020
FINANCIAL ASSETS		
Cash	**$ -**	$ 111
Due from The City of Winnipeg - General Revenue Fund (Note 3)	**2,481**	7,879
Accounts receivable	**3,342**	2,599
	5,823	10,589
LIABILITIES		
Accounts payable and accrued liabilities	**856**	634
Deferred revenue	**1,246**	981
Debt (Note 4)	**3,918**	3,918
Accrued employee benefits (Note 5)	**649**	609
	6,669	6,142
NET FINANCIAL (LIABILITIES)/ ASSETS	**(846)**	4,447
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**4,652**	5,084
Inventories	**159**	202
Prepaid expenses	**3**	4
	4,814	5,290
ACCUMULATED SURPLUS (Note 7)	**$ 3,968**	$ 9,737

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 2021	Actual 2021	Actual 2020
REVENUES			
Enforcement	**$ 6,709**	**$ 5,826**	$ 4,845
Meters	**6,017**	**4,062**	4,937
Vehicles for hire permits and fees	**1,010**	**1,279**	1,247
Parking fees (Note 8c)			
Surface parking lots	**1,520**	**1,125**	1,334
Millennium Library parkade	**1,050**	**1,008**	1,118
Special events	**235**	**180**	162
Interest received (Note 3)	**25**	**8**	39
Sundry	**276**	**214**	302
Total Revenues	**16,842**	**13,702**	13,984
EXPENSES			
Salaries and employee benefits (Note 5)	**5,133**	**4,098**	4,221
Services (Notes 8b, d, and i)			
Enforcement - contracts	**2,546**	**2,260**	2,560
Meters	**1,638**	**1,195**	1,407
Utilities	**341**	**303**	311
Vehicles for Hire	**325**	**290**	341
Parkade management	**335**	**256**	266
Special events	**100**	**34**	10
Other services (Note 8f)	**1,267**	**632**	623
Provision for bad debts	**1,234**	**1,448**	1,304
Amortization	**826**	**728**	751
Materials, parts and supplies	**1,919**	**652**	562
Debt and finance charges	**207**	**185**	201
Recoveries	**(3)**	**(25)**	(23)
Other (Notes 8a, e, g, h and j)	**1,414**	**1,330**	1,537
Total Expenses	**17,282**	**13,386**	14,071
Annual Surplus (Deficit) before Other	**(440)**	**316**	(87)
OTHER			
Transfer from The City of Winnipeg - Federal Safe Restart Funding	**-**	**-**	(7,735)
Transfer to The City of Winnipeg - General Revenue Fund (Note 8l)	**6,085**	**6,085**	11,050
Annual Deficit	**(6,525)**	**(5,769)**	(3,402)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**9,737**	**9,737**	13,139
ACCUMULATED SURPLUS, END OF YEAR	**$ 3,212**	**$ 3,968**	$ 9,737

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)

	2021	2020
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual deficit	**$ (5,769)**	$ (3,402)
Non-cash items related to operations		
Amortization	**728**	751
	(5,041)	(2,651)
Net change in non-cash working capital balances related to operations	**(172)**	415
Cash used in operating activities	**(5,213)**	(2,236)
FINANCING		
Change in due from/to The City of Winnipeg - General Revenue Fund	**5,398**	2,366
Cash provided by financing activities	**5,398**	2,366
CAPITAL		
Purchase of tangible capital assets	**(296)**	(71)
Cash used in capital activities	**(296)**	(71)
(DECREASE) INCREASE IN CASH	**(111)**	59
CASH, BEGINNING OF YEAR	**111**	52
CASH, END OF YEAR	**$ -**	$ 111

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 (LIABILITIES)/ ASSETS

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

	Budget 2021	Actual 2021	Actual 2020
ANNUAL DEFICIT	**$ (6,525)**	**$ (5,769)**	$ (3,402)
Amortization of tangible capital assets	**826**	**728**	751
Change in inventories and prepaid expenses	**-**	**44**	58
Acquisition of tangible capital assets	**(193)**	**(296)**	(71)
DECREASE IN NET DEBT	**(5,892)**	**(5,293)**	(2,664)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**4,447**	**4,447**	7,111
NET FINANCIAL (LIABILITIES)/ASSETS, END OF YEAR	**$ (1,445)**	**$ (846)**	$ 4,447

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, 2021
(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.

The Agency provides screening and collection services for City by-law penalty notices issued under the Municipal By-Law Enforcement Act ("MBEA"), effective November 20, 2017.

The Vehicles for Hire ("VFH") division of the Agency came into effect February 28, 2018, under the Vehicles for Hire By-law No. 129/2017. VFH provides licensing, oversight, and enforcement of the vehicles for hire industry in the City.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including Canada’s federal, provincial and local governments enacting emergency measures to combat the spread of the virus. These measures resulted in the temporary shutdown of various programs and services.

Management assessed the financial impact on the Agency and as at December 31, 2021, the Agency did not have significant accounting estimate adjustments to reflect the implications of COVID-19. Management believes it has sufficient liquidity to sustain operations.

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.

2. *Significant Accounting Policies (continued)*

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.

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.

2. *Significant Accounting Policies (continued)*

e) Use of estimates

The preparation of financial statements 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, 2021 effective interest rate was 0.20% (2020 - 0.20%).

Interest received from The City of Winnipeg - General Revenue Fund on the line of credit was $8 thousand for the year (2020 - $39 thousand).

4. *Debt*

	2021	2020
The City of Winnipeg - General Revenue Fund		
Start-up loan with no specific terms of repayment	**$ 3,918**	$ 3,918

Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2020 - $nil).

5. *Accrued Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	2021	2020
Vacation	**$ 378**	$ 368
Retirement allowance - accrued benefit liability	**162**	109
Compensated absences	**109**	147
	$ 649	$ 624

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 16 years (2020 - 16 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.

5. *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, 2020. The results of this valuation were extrapolated to the financial reporting date of December 31, 2021 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:

	2021		2020	
	Retirement Allowance	**Compensated Absences**	Retirement Allowance	Compensated Absences
Accrued benefit obligation:				
Balance, beginning of year	**$ 180**	**$ 181**	$ 161	$ 141
Current service cost	**18**	**22**	12	17
Interest cost	**3**	**3**	4	4
Benefit payments	**(8)**	**(19)**	(40)	(15)
Net actuarial (gain)/loss	**(17)**	**(9)**	43	34
Balance, end of year	**176**	**178**	180	181
Unamortized net actuarial (loss)/gain	**(14)**	**(69)**	(33)	(87)
Accrued benefit liability	**$ 162**	**$ 109**	$ 147	$ 94
Benefit expense:				
Current service cost	**$ 18**	**$ 22**	$ 12	$ 17
Interest cost	**3**	**3**	4	4
Amortization of net actuarial loss/(gain)	**2**	**9**	(2)	6
	$ 23	**$ 34**	$ 14	$ 27
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 147**	**$ 94**	$ 173	$ 82
Benefit expense	**23**	**34**	14	27
Benefit payments	**(8)**	**(19)**	(40)	(15)
	$ 162	**$ 109**	$ 147	$ 94

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

	2021	2020
Valuation discount rate	**2.40%**	1.80%
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 City of Winnipeg allocates its pension costs to various departments. During the year, $337 thousand (2020 - $358 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, 2020 and it has an actuarial surplus.

6. *Tangible Capital Assets*

	Net Book Value 2021	2020
Land	**$ 73**	$ 73
Parkades	**3,563**	3,868
Authority assets		
Leasehold improvements	**190**	215
Parking surfaces	**132**	150
	322	365
Equipment		
Meters and pay stations	**77**	128
Equipment	**325**	488
Computer equipment	**65**	99
Office furniture and equipment	**6**	12
Vehicles	**221**	51
	694	778
	$ 4,652	$ 5,084

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

7. *Accumulated Surplus*

	Budget 2021	Actual 2021	Actual 2020
Restricted funds for future investment	**$ 184**	**$ 184**	$ 184
Invested in tangible capital assets	**459**	**659**	1,091
Contributed surplus	**73**	**73**	73
Operating	**2,497**	**3,052**	8,389
	$ 3,213	**$ 3,968**	$ 9,737

8. *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 $358 thousand (2020 - $356 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 $317 thousand (2020 - $323 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 $802 thousand (2020 - $892 thousand) to the City.

8. Related Party Transactions (continued)

d) In Services, an amount of $324 thousand (2020 - $322 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for the rental of office space.

e) An amount of $104 thousand (2020 - $102 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 $67 thousand (2020 - $82 thousand) has been charged by The City of Winnipeg Municipal Accommodations Fund for services provided at the various locations.

g) An amount of $185 thousand (2020 - $184 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of 311 services.

h) An amount of $465 thousand (2020 - $402 thousand) has been transferred to the various City of Winnipeg departments for non-parking penalties issued under the Municipal By-Law Enforcement Act and collected on their behalf.

i) In Services, an amount of $48 thousand (2020 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

j) An amount of $42 thousand (2020 - $42 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

k) An amount of $64 thousand (2020 - $64 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.

l) An amount of $6,085 thousand (2020 - $11,050 thousand) has been transferred to The City of Winnipeg General Revenue Fund as a return on investment.

m) An amount of $nil thousand (2020 - $7,735) was transferred from the City of Winnipeg as part of Federal Safe Restart program to allow to continue to deliver services to citizens.

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 2021	Total 2020
Cost						
Balance, beginning of year	**$ 73**	**$ 6,443**	**$ 1,161**	**$ 13,770**	**$ 21,447**	$ 22,623
Add:						
Additions during the year	**-**		**-**	**296**	**296**	71
Less:						
Disposal of tangible capital assets	**-**		**-**		**-**	(1,247)
Balance, end of year	**73**	**6,443**	**1,161**	**14,066**	**21,743**	21,447
Accumulated amortization						
Balance, beginning of year	**-**	**2,575**	**796**	**12,992**	**16,363**	16,859
Add:						
Amortization	**-**	**305**	**43**	**380**	**728**	751
Less:						
Accumulated amortization on disposals	**-**		**-**		**-**	(1,247)
Balance, end of year	**-**	**2,880**	**839**	**13,372**	**17,091**	16,363
Net Book Value of Tangible Capital Assets	**$ 73**	**$ 3,563**	**$ 322**	**$ 694**	**$ 4,652**	$ 5,084