

Financial Statements

Toronto Parking Authority

December 31, 2006

AUDITORS' REPORT

To the Board of Directors of
Toronto Parking Authority

We have audited the balance sheet of **Toronto Parking Authority** as at December 31, 2006 and the statements of operations and equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 Authority as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 23, 2007.

Ernst & Young LLP

**Chartered Accountants
Licensed Public Accountants**

Toronto Parking Authority

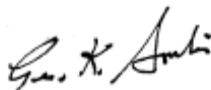
BALANCE SHEET

As at December 31

	2006 \$	2005 \$
ASSETS		
Current		
Cash	22,868,713	10,269,941
Short-term investments [market value - nil; 2005 - \$7,555,966] [note 3]	—	7,438,863
Accounts receivable [note 4]	781,155	2,130,759
Inventories	439,677	362,535
Prepaid expenses	309,188	580,396
Total current assets	24,398,733	20,782,494
Long-term investments		
[market value - \$28,946,986; 2005 - \$20,968,016] [note 3]	29,005,856	21,200,000
Deferred charges [note 5]	687,854	775,325
Property and equipment, net [note 6]	121,734,438	116,342,316
	175,826,881	159,100,135
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities [note 4]	25,867,679	20,150,071
Deferred revenue	412,317	344,432
Total current liabilities	26,279,996	20,494,503
Commitments [notes 9 and 11]		
Equity	149,546,885	138,605,632
	175,826,881	159,100,135

See accompanying notes

On behalf of the Board:



Chairman



President

Toronto Parking Authority

STATEMENT OF OPERATIONS AND EQUITY

Year ended December 31

	2006			2005	
	Budget	Actual		Actual	
	\$	\$	\$	\$	
	<i>[unaudited]</i>				
Revenue	92,845,245	37,191,784	59,996,772	97,188,556	91,808,188
Expenses					
Operating <i>[schedule]</i>	42,163,034	6,371,849	37,054,656	43,426,505	41,117,009
Administration <i>[note 7]</i>	6,404,282	649,117	5,553,505	6,202,622	5,947,150
Amortization of property and equipment	6,578,991	3,920,092	2,946,371	6,866,463	6,451,661
	55,146,307	10,941,058	45,554,532	56,495,590	53,515,820
Operating income	37,698,938	26,250,726	14,442,240	40,692,966	38,292,368
Other income					
Investment income	1,266,600			1,844,110	1,435,664
Net rental income [gross - \$1,082,204; 2005 - \$900,188]	922,390			1,079,590	891,824
Sundry	232,250			43,614	240,491
	2,421,240			2,967,314	2,567,979
Income before the following City of Toronto's share of income <i>[note 8]</i>	40,120,178			43,660,280	40,860,347
	(30,045,438)			(32,719,027)	(30,608,259)
Net income for the year	10,074,740			10,941,253	10,252,088
Equity, beginning of year				138,605,632	128,353,544
Equity, end of year				149,546,885	138,605,632

See accompanying notes

Toronto Parking Authority**STATEMENT OF CASH FLOWS**

Year ended December 31

	2006 \$	2005 \$
OPERATING ACTIVITIES		
Net income for the year	10,941,253	10,252,088
Add non-cash items		
Amortization of property and equipment	6,866,463	6,451,661
Amortization of deferred charges	87,471	96,584
	17,895,187	16,800,333
Changes in non-cash working capital balances related to operations		
Accounts receivable	1,349,604	(895,514)
Inventories	(77,142)	(24,934)
Prepaid expenses	271,208	23,162
Accounts payable and accrued liabilities	5,717,608	(3,292,629)
Deferred revenue	67,885	(10,010)
Cash provided by operating activities	25,224,350	12,600,408
INVESTING AND FINANCING ACTIVITIES		
Net decrease (increase) in investments	(366,993)	8,165,654
Purchase of property and equipment	(12,891,110)	(15,853,845)
Funding from reserve funds held by the City of Toronto for property and equipment	632,525	781,717
Cash used in investing and financing activities	(12,625,578)	(6,906,474)
Net increase in cash during the year	12,598,772	5,693,934
Cash, beginning of year	10,269,941	4,576,007
Cash, end of year	22,868,713	10,269,941

See accompanying notes

SCHEDULE OF OPERATING EXPENSES

Year ended December 31

	<u>2006</u>			<u>2005</u>
	<u>On-street</u>	<u>Off-street</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
OPERATING				
Salaries, wages and benefits <i>[note 7]</i>	1,595,603	11,091,788	12,687,391	12,568,629
Municipal taxes	—	13,930,571	13,930,571	12,823,543
Maintenance	1,552,861	3,083,038	4,635,899	4,570,105
Utilities	—	2,082,472	2,082,472	1,978,130
Rent	—	2,682,392	2,682,392	2,402,651
Snow clearing	—	1,071,988	1,071,988	954,714
Tickets	1,185,713	451,081	1,636,794	1,415,562
Security and monitoring	166	548,540	548,706	482,319
Insurance	62,581	622,280	684,861	830,383
Pay and display network communications	1,512,122	131,129	1,643,251	1,316,779
Outside coin counting	178,224	64,079	242,303	296,475
Credit card processing	242,336	540,963	783,299	672,245
Sundry	42,243	754,335	796,578	805,474
	<u>6,371,849</u>	<u>37,054,656</u>	<u>43,426,505</u>	<u>41,117,009</u>

See accompanying notes

Toronto Parking Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. OPERATIONS AND RELATIONSHIP WITH THE CITY OF TORONTO

Toronto Parking Authority [the "Authority"] is a local board of the City of Toronto [the "City"], established under the City of Toronto Act 1997 (No. 2) with a mandate to operate, manage and maintain municipal parking facilities and on-street meter operations on behalf of the City in support of local business areas. In its relationship with the City, the Authority has an agreement on income sharing with the City *[note 8]*.

By virtue of Section 149(1) of the Income Tax Act (Canada), the Authority is not subject to income taxes.

These financial statements reflect the financial position and results of operations of the Authority's off-street parking facilities and on-street parking meters. They do not include the operations of the retail stores and offices on Cumberland, Queen, Charles and St. Andrew Streets; or payments received by the City from developers under agreements in lieu of providing parking facilities. The results of these activities are paid into reserve funds recorded in the City's accounts and are available for the exclusive use of the Authority to fund on-going capital projects and improvements *[note 4]*.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for profit-oriented organizations, unless otherwise directed to specific accounting recommendations of the Public Sector Accounting Board.

Revenue recognition

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes measurable and expenses when they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Investments

Investments are recorded at cost. Premiums and discounts on bonds are amortized over the term of the bonds. Investment income includes interest and gains or losses on the sale of investments. The amount of investments classified as long-term represents those assets with maturity dates greater than one year from the date of these financial statements.

Toronto Parking Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Inventories

Inventories of supplies are recorded at the lower of cost, determined on a first-in first-out basis, or market value.

Property and equipment

Purchased property and equipment are recorded at cost less any amounts being funded from the City's reserve funds [note 4]. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Parking garages and surface car parks	25 years
Equipment and furnishings	5 to 10 years

Employee related costs

The Authority's contributions to a multi-employer defined benefit pension plan are expensed when contributions are due.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS

Investments consist of Government of Canada bonds with a weighted average yield to maturity of 3.77% and an average duration to maturity of 2.8 years [2005 - weighted average yield to maturity of 4.25% and an average duration to maturity of 3.3 years].

4. RELATED PARTY TRANSACTIONS

The Authority operates 43 parking facilities on properties owned by other City departments and agencies. These parking facilities are operated under separately negotiated agreements with each City department or agency. The Authority receives compensation in the form of either a share of net income or on a cost recovery plus a fixed fee basis. Amounts owing from or to the Authority under these agreements are included within accounts receivable or accounts payable and accrued liabilities at December 31, 2006.



Toronto Parking Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

As at December 31, 2006, the amount due from related parties included in accounts receivable is \$321,770 [2005 - \$791,614] and the amount due to related parties included in accounts payable and accrued liabilities is \$17,881,103 [2005 - \$15,079,835].

The net amount of \$17,559,333 [2005 - \$14,288,221] due to related parties at December 31, 2006 is summarized as follows:

	2006 \$	2005 \$
Due from the Toronto Transit Commission	64,101	653,981
Due to Toronto Hydro	(47,599)	(43,052)
Due to the City of Toronto	(17,575,835)	(14,899,150)
	(17,559,333)	(14,288,221)

As referred to in note 1, the City holds reserve funds for use by the Authority in funding capital projects. Net income generated by retail leasing operations which are developed and operated by the Authority are paid annually into the "Malls and Rental Properties Fund". The balance in this fund as at December 31, 2006 is \$835,877 [2005 - \$717,352]. During the year, \$64,840 [2005 - \$25,580] was drawn from this fund to finance property and equipment additions.

Payments received by the City from developers under agreements in lieu of providing parking facilities are paid into the "Off-Street Parking Fund". The balance in this fund as at December 31, 2006 was \$6,007,177 [2005 - \$6,222,506]. During the year, \$567,685 [2005 - \$756,137] was drawn from this fund to finance property and equipment additions.

5. DEFERRED CHARGES

Included in deferred charges is \$687,854 [2005 - \$764,407] related to leased property under various long-term lease agreements for periods up to 2039. The total rent for these leases was \$2,220,168 [2005 - \$2,220,168]. These payments were made in advance and are being amortized over the terms of the individual leases.

Toronto Parking Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2006		2005	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Land	63,430,539	—	61,124,664	—
Parking garages	59,961,399	33,542,976	56,898,805	31,686,064
Surface car parks	10,541,377	2,718,746	9,157,743	2,329,607
Car parks and projects not completed	39,466	—	21,705	—
Equipment and furnishings	48,661,798	24,638,419	48,803,357	25,648,287
	182,634,579	60,900,141	176,006,274	59,663,958
Less accumulated amortization	60,900,141		59,663,958	
Net book value	121,734,438		116,342,316	

7. PENSION OBLIGATIONS

The Authority makes contributions to the Ontario Municipal Employees Retirement Fund ["OMERS"], which is a multi-employer plan, on behalf of substantially all of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. During the year, the Authority's contributions were \$869,671 [2005 - \$774,865].

Toronto Parking Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

8. CITY OF TORONTO'S SHARE OF INCOME

In 1998, the City and the Authority established an income sharing arrangement for a three-year period ending December 31, 2000. Without any changes to the original terms, the arrangement has undergone two successive three-year extensions with the current arrangement expiring on December 31, 2006. Under this arrangement, the Authority pays annual rent equal to the greater of 75% of its net income for the year or \$18,000,000.

The City and Authority have agreed to extend the agreement for a further three-year term. The recommendation is included in the Authority's 2007 operating budget submission to be received by City Council for approval in April 2007.

From time to time, the Authority will pay an amount to the City that is in excess of the property and equipment funding requirements over the ensuing five-year period. This return of funds is in addition to the City's share of annual operating income paid under the income sharing arrangement.

Under the Municipal Act, any earnings retained by the Authority are to be applied as follows:

- Debenture charges relating to debentures issued to finance the cost of parking facilities;
- The cost of additional parking facilities required as part of the Authority's mandate to provide parking in support of business areas in the City; and
- Other purposes as may be approved by City Council.

9. LEASE COMMITMENTS

Future minimum annual lease payments under leasing agreements for use of land and equipment are as follows:

	\$
2007	618,361
2008	619,997
2009	616,227
2010	614,894
2011	617,734
2012 and thereafter	3,283,125
	<hr/> 6,370,338 <hr/>

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

10. FINANCIAL INSTRUMENTS

Fair value

The estimated fair values of financial instruments approximate the amounts for which instruments could be exchanged in a transaction between knowledgeable and willing parties based on public market information. Management believes the fair values of the financial instruments in these financial statements approximate their carrying values unless otherwise noted. The Authority is subject to interest rate risk with respect to its investments.

11. COMMITMENTS

On March 22, 2007, the Authority committed to the purchase of a parking facility located at 2053 Dufferin Street for \$325,000.

ERNST & YOUNG LLP

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