

Toronto Parking Authority

Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)



June 21, 2012

Independent Auditor's Report

To the Board of Directors of Toronto Parking Authority

We have audited the accompanying financial statements of Toronto Parking Authority, which comprise the statements of financial position as at December 31, 2011 and December 31, 2010 and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise 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 International Financial Reporting 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the 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 the auditor's 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, the auditor considers 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Parking Authority as at December 31, 2011 and December 31, 2010 and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Comparative information

Without modifying our opinion, we draw attention to note 3 to the financial statements, which describes that Toronto Parking Authority adopted International Financial Reporting Standards on January 1, 2011, with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2010 and January 1, 2010, and the statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2010 and the related disclosures. We were not engaged to report on the restated comparative information as at January 1, 2010 and, as such, it is unaudited.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto Parking Authority

Statements of Financial Position

(all amounts are in Canadian dollars)

	Note	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$ (Unaudited)
Assets				
Current assets				
Cash		21,816,866	27,571,902	18,583,389
Investments	8	58,379,460	60,998,018	69,825,567
Accounts receivable	9	1,168,095	1,027,929	1,681,969
Finance lease receivable	10	648,050	648,050	617,519
Supplies		330,981	317,644	314,401
Prepaid expenses		567,832	506,167	457,391
		<u>82,911,284</u>	<u>91,069,710</u>	<u>91,480,236</u>
Finance lease receivable	10	6,799,363	6,766,653	6,737,820
Investment in garage	11(b)(ii)	6,000,000	6,000,000	-
Property and equipment	11	<u>138,871,877</u>	<u>138,999,920</u>	<u>124,914,573</u>
		<u>234,582,524</u>	<u>242,836,283</u>	<u>223,132,629</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	21	7,665,994	8,010,080	6,959,797
Provisions	12	191,444	866,126	630,344
Deferred revenue		393,355	470,548	427,533
Due to related parties	13, 21	12,714,501	31,848,424	39,659,945
Debt payable	14, 21	<u>2,159,868</u>	<u>2,346,722</u>	<u>2,010,000</u>
		23,125,162	43,541,900	49,687,619
Debt payable	14, 21	<u>6,736,335</u>	<u>8,896,204</u>	<u>4,000,000</u>
		29,861,497	52,438,104	53,687,619
Equity	15	<u>204,721,027</u>	<u>190,398,179</u>	<u>169,445,010</u>
		<u>234,582,524</u>	<u>242,836,283</u>	<u>223,132,629</u>
Commitments and contingent liabilities	23			

Approved on Behalf of the Board of Directors

Michael Grinter

Chairman

[Signature]

President

The accompanying notes are an integral part of these financial statements.

Toronto Parking Authority
Statements of Comprehensive Income
For the years ended December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

	Note	2011 \$	2010 \$
Parking revenue	16	<u>119,372,811</u>	<u>116,611,538</u>
Direct expenses			
Operating	26	37,376,848	35,890,898
Municipal property tax		17,134,987	17,403,675
Finance interest paid on debt	14	167,630	86,738
Amortization of property and equipment	11	<u>7,415,178</u>	<u>7,281,902</u>
		<u>62,094,643</u>	<u>60,663,213</u>
Income before administration expense and other income		57,278,168	55,948,325
Administration expense		<u>7,380,294</u>	<u>7,086,304</u>
Income before other income		<u>49,897,874</u>	<u>48,862,021</u>
Other income			
Income earned on financial instruments	18	3,799,226	4,164,645
Other income	18	<u>3,375,050</u>	<u>27,219,946</u>
		<u>7,174,276</u>	<u>31,384,591</u>
Comprehensive income for the year		<u><u>57,072,150</u></u>	<u><u>80,246,612</u></u>

The accompanying notes are an integral part of these financial statements.

Toronto Parking Authority

Statements of Changes in Equity

For the years ended December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

	Note	2011 \$	2010 \$
Balance - Beginning of year		190,398,179	169,445,010`
Comprehensive income for the year		<u>57,072,150</u>	<u>80,246,612</u>
Distribution to City of Toronto	20	<u>247,470,329</u> <u>(42,749,302)</u>	<u>249,691,622</u> <u>(59,293,443)</u>
Balance - End of year		<u>204,721,027</u>	<u>190,398,179</u>

The accompanying notes are an integral part of these financial statements.

Toronto Parking Authority

Statements of Cash Flows

For the years ended December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Comprehensive income for the year		57,072,150	80,246,612
Add (deduct) non-cash items			
Amortization of property and equipment	11	7,415,178	7,281,902
Gain on sale of property and equipment	18	(7,178)	(25,957,459)
Net amount - interest/finance income and finance charges		(3,235,092)	(4,614,722)
Change in unrealized loss (gain) on held-for-trading financial assets	10	(396,504)	536,816
		<u>60,848,554</u>	<u>57,493,149</u>
Net change in non-cash working capital balances related to operating activities	24	<u>(20,445,052)</u>	<u>(5,880,420)</u>
Net cash flow from operating activities		<u>40,403,502</u>	<u>51,612,729</u>
Cash flows from investing activities			
Interest received from held-for-trading financial assets	18	2,721,961	4,024,577
Interest received on loans and receivables (finance lease receivable)	10	648,050	617,519
Proceeds from sale of property and equipment		7,181	20,117,533
Purchase of property and equipment	11	<u>(7,287,138)</u>	<u>(21,527,323)</u>
Net cash flow from investing activities		<u>(3,909,946)</u>	<u>3,232,306</u>
Cash flows from financing activities			
Net decrease in investments		3,015,063	8,290,733
Distribution to City of Toronto		(42,749,302)	(59,293,443)
Long-term debt to finance purchase of property and equipment			
Advances		-	7,450,825
Repayments		(2,346,723)	(2,217,899)
Finance charges paid on long-term debt	14	<u>(167,630)</u>	<u>(86,738)</u>
Net cash flow from financing activities		<u>(42,248,592)</u>	<u>(45,856,522)</u>
Increase (decrease) in cash during the year		<u>(5,755,036)</u>	<u>8,988,513</u>
Cash - Beginning of year		<u>27,571,902</u>	<u>18,583,389</u>
Cash - End of year		<u>21,816,866</u>	<u>27,571,902</u>
Non-cash transactions			
Addition of property and equipment		-	7,618,088
Debt payable		-	(7,618,088)
Investment in garage		-	(6,000,000)
Proceeds from sale of property and equipment		-	6,000,000

The accompanying notes are an integral part of these financial statements.

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

1 Statement of compliance

These financial statements of the Toronto Parking Authority (the Authority) have been prepared on a going concern basis and without reservation comply with all the requirements of International Financial Reporting Standards (IFRS). Previous financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP) for profit-oriented organizations.

These financial statements were authorized by the Authority's Board of Directors at their meeting held on June 19, 2012.

2 Nature of operations and relationship to the City of Toronto

The Authority is a local board of the City of Toronto (the City), established under the City of Toronto Act, 2006 with a mandate to operate, manage and maintain municipal off-street parking facilities and on-street meter operations on behalf of the City in support of local business areas. Municipal off-street parking facilities are of two primary types: (a) open-air single level lots without structures referred to as surface lots and; (b) covered, multi-level structures referred to as parking garages/structures.

The address of its registered office is 33 Queen Street East, Toronto, Ontario.

The City is considered the ultimate controlling entity of the Authority. In its relationship with the City, the Authority has an agreement on income-sharing which is more fully described in note 20.

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

3 Basis of presentation and adoption of IFRS

The Authority is a public sector entity and meets the definition of a Government Business Enterprise (GBE) as set out in the Introduction to Public Sector Accounting Standards. GBEs are deemed to be publicly accountable enterprises and for fiscal periods beginning on January 1, 2011 or later must apply IFRS as set out in Part I of The Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting.

4 Summary of significant accounting policies

Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets to fair value.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Stated in very general terms, a financial asset is cash or a contractual right to receive cash such as a bond or a trade receivable. Similarly, a financial liability is a contractual obligation to deliver cash or another financial asset such as a bank loan or a trade payable to another entity.

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

- **Classification and measurement of financial instruments**

The Authority classifies its financial instruments into one of the following categories based on the Authority's intended use of the instrument. The Authority's accounting policy for measurement of each category is as follows:

Financial instrument	Category	Subsequent measurement
Cash	loans and receivable	fair value through profit or loss
Investments	held-for-trading	fair value through profit or loss
Accounts receivable	loans and receivables	amortized cost
Finance lease receivable (including current portion)	loans and receivables	amortized cost
Accounts payable and accrued liabilities	other financial liabilities	amortized cost
Due to related parties	other financial liabilities	amortized cost
Debt payable	other financial liabilities	amortized cost

All financial instruments are measured initially at fair value, which is generally the transaction price.

- **Method of determining fair value**

Fair value is determined:

- on the basis of quoted prices in an active market or if an active market does not exist;
- using accepted valuation techniques or parameters derived from a combination of active markets or from statistical estimates or other quantitative methods.

Other categories of financial instruments that are measured subsequently at amortized cost do not trade on an active market.

For assets measured at fair value, changes in fair value (gains and losses) are recognized in profit or loss as an unrealized gain or loss.

- **Cash**

Cash comprises cash-on-hand, deposits held on call with banks and other liquid investments with original maturities of less than three months.

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

- **Investments**

Investments consist of fixed income securities of governments and high quality corporate bonds carried at fair value and interest receivable thereon.

Investments have been classified as held-for-trading and measured at fair value based on quoted market prices, which is considered to be the closing market bid price at the year-end. Investments are recognized and derecognized on the trade date. Investments are classified as held-for-trading (or fair value through profit or loss) as they are intended for sale in the short term, are part of a portfolio of identified financial instruments that are managed together and there is a recent pattern of short-term trading to realize gains. The primary use made by the Authority of held-for-trading financial assets is to fund capital purchases and their measurement at fair value provides more relevant information than does amortized cost and is consistent with the Authority's approach to evaluation and management of them.

Investment income includes interest, realized and unrealized gains or losses on investments. Investment income is classified under profit or loss and is recorded as other income on the statements of comprehensive income.

Investments classified as current assets have varying maturity dates with some greater than one year from the date of the financial statements. However, all are capable of prompt liquidation and have been classified as current assets. When investments are not capable of liquidation within one year of the date of the financial statements, they would be classified as long-term investments.

Fees for custody and management services are expensed as incurred in the statements of comprehensive income.

The Authority's investment policy is to invest only in eligible investments as prescribed in the financial activities regulation of the City of Toronto Act, 2006.

- **Accounts receivable**

Accounts receivable are primarily trade receivables recorded at amortized cost, less a provision for impairment, which involves annual testing to assess and estimate uncollectible amounts. A provision for uncollectible amounts is made when objective evidence indicates the Authority may not be able to collect a receivable. Balances are written off when collection is assessed as remote. Adjustments to the amortized cost are included in profit or loss. The amortized cost of accounts receivable approximates their fair value due to their short-term nature.

- **Finance lease receivable**

Finance lease receivable represents the present value of minimum lease payments due to the Authority as lessor under a finance lease.

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- **Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities are primarily trade payables, pension remittances and liabilities to government for sales and payroll related taxes measured at their amortized cost, which approximates their fair value due to their short-term nature. Adjustments to the amortized cost are included in profit or loss.

- **Impairment of financial assets**

As at each statement of financial position date, the Authority assesses whether the assets valued at amortized cost are impaired. When objective evidence of impairment is available, the impairment is recognized in the same period by adjusting the value on the statements of financial position and recognizing an expense in the statements of comprehensive income. When previous impairment losses reverse, they are recognized up to the extent of the impairment amount originally recognized.

- **Derivative financial instruments**

The Authority utilizes derivative financial instruments in the management of its purchase of electricity. The Authority's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Derivative contracts entered into by the City in connection with the purchase of electricity, to which the Authority is a party, are not designated to be in a hedging relationship and are recorded at their fair value as an asset or a liability based on quoted market prices or dealer quotes with changes in fair value, if any, recorded in investment income. As at December 31, 2011, December 31, 2010 and January 1, 2010, there were no contracts outstanding.

Property and equipment and investment property

- **Measurement basis - cost model**

The Authority has chosen to continue measuring property and equipment using the cost model. The cost model provides that property and equipment be recorded at their cost at the time of recognition.

Any costs incurred subsequent to initial recognition, which enhance the service capacity (an improvement), are capitalized as property and equipment and amortized over the remaining useful life of the asset or the improvement, whichever is shorter.

- **Component accounting**

Components of an item of property and equipment that have different useful lives and have a significant cost in relation to the total cost of the item have been classified and amortized to profit or loss separately. Parking garage structures are currently the only item of property and equipment identified as having components with differing useful lives that have significant costs in relation to the cost of the entire item.

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Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

- **Amortization**

The amortizable amount is the cost of the asset less any residual value. Amortization expense is recognized in profit or loss and is calculated from the date the asset is available for use calculated on a straight-line basis over their estimated useful lives as follows:

Parking garages - concrete structure	25 or 40 years
Surface car parks and other parking garage components	25 years
Equipment and furnishings	5 to 10 years

Projects to build garages or surface car parks, which are in process, are included in property and equipment as acquired and are amortized once the asset is placed into service. Improvements to facilities that meet the recognition criteria are added to the asset and amortized over a period up to 25 years.

Land is not amortized, as it is considered to have an indefinite life.

Assets acquired through a finance lease are classified under property and equipment and amortized consistent with other similar assets.

The useful lives of property and equipment are reviewed at each statement of financial position date and are estimated by management based on historical analysis and other available information. The residual values of property and equipment are reviewed at each statement of financial position date and are based on the assessment of useful lives and other available information.

When there is a change in use of property and equipment between use as investment property or for the Authority's principal activity of parking, the asset is transferred to the appropriate classification at its carrying amount without recognition of a gain or loss.

- **Investment property**

When property is held to earn rental income or for capital appreciation rather than for the Authority's principal strategic purpose of providing parking, it is classified as investment property.

Some properties owned by the Authority include a portion that is held to earn rental income and another portion that is held for strategic parking or administrative purposes. If these portions could be sold separately, they are accounted for separately. If these portions could not be sold separately, the property is classified as investment property only if an insignificant portion is held for parking or administrative purposes.

If the utilization of the property for its principal strategic purpose is greater than 10%, the Authority's policy is to classify the entire property as property and equipment rather than investment property. There are no properties classified as investment property as at December 31, 2011, December 31, 2010 or January 1, 2010.

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Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

- **Impairment of non-financial assets**

Property and equipment are reviewed annually for indications of impairment or when circumstances indicate the carrying amount may not be recoverable.

If an asset is determined to be impaired it is written down to its recoverable amount, which is the higher of fair value, less costs to sell and value in use. In the absence of a reliable estimate of fair value for an asset that is clearly impaired, the value in use may be applied. If there is an indication that a previously impaired asset has experienced an increase in fair value or value in use, the previous impairment is reversed but only to the extent of the carrying amount had no impairments been recognized.

Impairment losses or reversals are recorded in profit or loss.

Provisions

Provisions are recognized when the Authority has a present legal or constructive obligation or entitlement as a result of past events, it is probable that a payment will have to be made/received to settle the obligation/entitlement and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

Revenue and other income recognition

Revenue is recorded on the accrual basis of accounting. Revenue includes parking fee revenue and other income from investment, rental and advertising activities. The accrual basis of accounting recognizes revenue as the service is performed or the income is earned, can be reliably measured and collection is reasonably assured. The timing of revenue recognition for the Authority's significant sources of revenue is as follows:

- parking fee revenue as the service is performed;
- interest and finance income on a time proportion basis with reference to the principal amount and effective interest rate;
- gains or losses when the transaction occurs;
- rental revenue on a straight-line basis over the term of the lease;
- advertising revenue in accordance with the substance of the agreement, which currently supports recognition on a straight-line basis over the term; and
- other revenue as the Authority has a legal or constructive right to receive a future economic benefit.

Deferred revenue consists of deposits and payments for monthly permits paid in advance, which are to be earned and recognized in a future period in accordance with this policy as it relates to parking revenue.

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(all amounts are in Canadian dollars)

Revenue is measured at the fair value of the consideration received or receivable, net of any discounts or volume rebates.

Multi-employer pension plan

The Authority makes contributions to Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan (the plan), on behalf of substantially all of its employees. The plan is a contributory defined benefit pension plan funded by equal contributions from participating employers and employees as well as by investment earnings of the plan. The plan specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. The Authority accounts for the plan as a defined contribution plan.

Contributions received from all OMERS employers are co-mingled and used to jointly purchase investments to support the pension obligations. OMERS does not track its investments by employer. In addition, OMERS engages an independent actuary to determine the funded status of the plan with actuarial assumptions developed based on the entire plan membership, not by employer. Although the plan has defined benefit plan characteristics, there is insufficient information available to account for the plan as a defined benefit plan. Defined benefit plan accounting would require the recording of the discounted amount of the future benefit obligations offset against the fair value of plan assets.

In this situation International Accounting Standard (IAS 19), Employee Benefits, requires that defined contribution accounting and disclosure be applied.

On the basis of the most recent reliable information available (generally the OMERS 2011 annual report and 2011 report to members) the plan was in a deficit position of approximately \$7.3 billion at the end of 2011, an increase from \$4.5 billion in 2010. OMERS stated that the deficit was due for the most part to losses stemming from the 2008 global credit crisis, the related stock market collapse and the ongoing European debt crisis in 2011. OMERS is funding this deficit through a combination of temporary contribution increases averaging 2.9% of pensionable earnings, temporary benefit calculation changes and an investment strategy to reduce the Plan's exposure to stock markets.

Leases

- **Finance leases**

Assets leased under arrangements that transfer substantially all the risks and benefits of ownership, with or without ultimate transfer of title, are classified as finance leases. The Authority is party to finance leases as both lessor and lessee.

- a) When the Authority is a lessor under a finance lease, a finance lease receivable is recorded at the inception of the lease at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments plus any unguaranteed residual value.
 - Lease payments received are allocated between a reduction of the receivable and finance income on an amortized basis to produce a constant rate of interest on the remaining balance of the receivable.

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(all amounts are in Canadian dollars)

- Finance income is recorded as other income.
- When assets are recognized under a finance lease for the first time, there is a concurrent derecognition of the asset as property and equipment (as if effectively disposed of).
- b) When the Authority is a lessee under a finance lease, the accounts involved include an asset and a future liability capitalized, at the inception of the lease, at an amount equal to the fair value of the asset or, if lower, the present value of minimum lease payments plus a payment under a bargain purchase option that, at the inception of the lease, is reasonably certain to be exercised.
 - The leased asset is classified as property and equipment and is amortized on the same basis as other assets within the same class.
 - Lease payments made are allocated between a reduction to the lease liability and as finance expense on an amortized basis to produce a constant rate of interest on the remaining balance of the liability.
 - Finance expense is recorded as a direct operating expense.
- **Operating leases**

Assets leased under arrangements that do not transfer substantially all the risks and benefits of ownership are classified as operating leases. The Authority is party to operating leases as both lessor and lessee.

- a) When the Authority is a lessor under an operating lease, assets are classified within property and equipment on the Authority's statements of financial positions and amortization is provided for in a systematic manner consistent with the Authority's amortization policy for similar property and equipment.
 - Lease income is recognized on a straight-line basis over the term of the lease.
 - If a lease incentive is provided, it is accounted for as a reduction to rental income.
- b) When the Authority is the lessee under an operating lease, neither an asset nor a liability is recognized in relation to the leased asset.
 - Lease payments are expensed as a direct expense on a straight-line basis over the term of the lease.
 - Lease incentives are recognized as a reduction to rental expense on a straight-line basis.

In circumstances where straight-line recognition of lease income or expense does not accurately reflect the Authority's pattern of benefit or cost under a lease, some other systematic method may be applied that better reflects the patterns.

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5 IFRS issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Authority has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

- a) IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss.
- b) IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell a financial asset, or paid to transfer a financial liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.
- c) IFRS 7, Financial Instruments: Disclosures, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. This amendment is applicable on January 1, 2012 for the Authority.
- d) IAS 32, Financial Instruments: Presentation, has been amended to provide further guidance on the criterion to offset financial assets and liabilities. Specifically, further guidance is provided in the determination that an entity has a legally enforceable right to set off recognized amounts and the determination that an entity intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. This amendment is applicable on January 1, 2014 for the Authority.

6 Transition to IFRS

The Authority's financial statements for the year ended December 31, 2011 are the first financial statements prepared in accordance with IFRS. In its first IFRS financial statements, the Authority applied IFRS 1, First-time Adoption of IFRS. Among other requirements, IFRS 1 requires retrospective application of IFRS in effect at December 31, 2011 and the inclusion of an opening statement of financial position at the date of transition to IFRS. The date of transition to IFRS was January 1, 2010.

Exemptions from other standards

The Authority elected to apply the exemption under IFRS 1, First time Adoption of IFRS, not to reassess whether an arrangement existing at the transition date contained a lease based on circumstances and facts existing at the transition date rather than to retrospectively assess each agreement as at the transition date. There is no impact on these financial statements as a result of applying this exemption.

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(all amounts are in Canadian dollars)

Reconciliation from Canadian GAAP to IFRS

The following reconciliations are included to demonstrate the impact on the financial statements of the transition to IFRS:

- reconciliation of assets, liabilities and equity at the transition date of January 1, 2010;
- reconciliation of assets, liabilities and equity - comparative year; and
- reconciliation of comprehensive income - comparative year.

The reconciliations contain the following adjustments:

- a) IAS 16, Property, Plant and Equipment, requires that costs incurred subsequently to replace parts of some items of property and equipment be capitalized if they meet the recognition criteria. This standard also requires that the carrying amount of the replaced part be derecognized. The adjustment reflects the derecognition of replaced parts that occurred prior to the transition date in the amount of \$3,842,338 as at January 1, 2010 and \$2,734,883 as at December 31, 2010. Amortization expense for the year ended December 31, 2010 was reduced by \$1,123,630 and \$16,175 was expensed as a result of derecognition of replaced parts in the statements of comprehensive income.
- b) As required by IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the Authority has separately identified amounts that meet the definition of provisions in the standard.
- c) Under Canadian GAAP, distributions to the City of Toronto, the Authority's controlling entity, did not meet the definition of an equity transaction because of the absence of share capital. However, distributions to controlling entities are considered, in substance, the equivalent of cash dividends paid to owners under IFRS and are classified as equity transactions. In transitioning from Canadian GAAP to IFRS, these transactions are recorded in the statements of changes in equity rather than the statements of comprehensive income and are considered a financing rather than an operating activity in the statements of cash flows. In the statement of cash flows for the comparative period ended December 31, 2010, cash distributions to the City of \$59,293,443 have been reclassified from operating to financing activities. The amount represents the City's share of net income as described in note 20.
- d) Under Canadian GAAP, interest income and finance charges are classified as operating activities. Under IFRS, interest received and finance charges are classified as investing activities and financial activities, respectively.

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

Transition to IFRS

i) Reconciliation of assets, liabilities and equity at the transition date of January 1, 2010

	GAAP as previously reported \$	Effect of transition to IFRS \$ (note 6 (a), (b))		Prior period restatements \$ (note 25)	As restated under IFRS \$
Assets					
Finance lease receivable (current)	-	-	617,519	-	617,519
Prepaid expenses	533,965	-	(76,574)	-	457,391
Deferred charges	458,132	-	(458,132)	-	-
Finance lease receivable (long-term)	-	-	-	6,737,820	6,737,820
Property and equipment	131,544,254	(3,842,338)	216,332	(3,003,675)	124,914,573
Liabilities					
Accounts payable and accrued liabilities	7,590,141	(630,344)	-	-	6,959,797
Provisions	-	630,344	-	-	630,344
Equity	169,254,058	(3,842,338)	(318,374)	4,351,664	169,445,010

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

ii) **Reconciliation of assets, liabilities and equity for comparative year as at December 31, 2010**

	GAAP as previously reported \$	Effect of transition to IFRS \$ (note 6 (a), (b))		Prior period restatements \$ (note 25)	As restated under IFRS \$
Assets					
Finance lease receivable (current)	-	-	-	648,050	648,050
Prepaid expenses	582,741	-	(76,574)	-	506,167
Deferred charges	381,559	-	(381,559)	-	-
Finance lease receivable (long-term)	-	-	-	6,776,653	6,766,653
Property and equipment	144,610,952	(2,734,883)	127,526	(3,003,675)	138,999,920
Liabilities					
Accounts payable and accrued liabilities	8,876,206	(866,126)	-	-	8,010,080
Provisions	-	866,126	-	-	866,126
Equity	189,052,641	(2,734,883)	(330,607)	4,411,028	190,398,179

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

iii) Reconciliation of comprehensive income for the year ended December 31, 2010

	Note	December 31, 2010 \$
Net income and comprehensive income as reported under Canadian GAAP		19,798,583
Increase (decrease) in Canadian GAAP income for		
City of Toronto share of income as equity transaction	6(c)	59,293,443
Property and equipment amortization	6(a)	1,123,630
Replacement parts	6(a)	(16,175)
Prior period restatement		
Lease accounting - lessee	25	(12,233)
Lease account - lessor	25	59,364
		<u>80,246,612</u>

iv) Reconciliation of cash flow statement for the year ended December 31, 2010

	Note	Operating Activities \$	Net cash flow from investing activities \$	Financing activities \$
GAAP as previously reported		(3,109,181)	(1,425,965)	13,523,659
Adjust GAAP to comprehensive income		1,154,586	-	-
Reclassification of distributions to City as equity	6(c)	59,293,443	-	(59,293,443)
Change to amortization expense	6(a), 25	(1,034,823)	-	-
Adjustment to prepaid lease payments	25	(76,574)	-	-
Reclassification of interest/finance charges	6(d)	(4,614,722)	-	-
Interest received on finance lease as lessor	6(d)	-	617,519	-
Interest received from held-for-trading financial assets	6(d)	-	4,024,577	-
Reduction to property and equipment purchase - replacement parts expensed	6(a)	-	16,175	-
Reclassification of finance charges paid on long-term debt	6(d)	-	-	(86,738)
As restated under IFRS		<u>51,612,729</u>	<u>3,232,306</u>	<u>(45,856,522)</u>

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

7 Critical accounting judgments and estimates

In applying the Authority's accounting policies as described in note 4, summary of significant accounting policies, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

The estimates and judgments management made in applying the Authority's accounting policies relate to:

- **Finance lease receivable**

The present value of the lease receivable is based on management's estimate of future minimum lease payments, which include an estimation of future fair value and residual value of the property. Management has made a judgment on the lease classification.

- **Property and equipment**

Management judgment is applied in determining amortization rates and useful lives of assets. In addition, management has assessed whether properties should be classified as investment properties based on criteria developed by the Authority (note 4).

IAS 16, Property, Plant and Equipment, states that when a relevant asset includes components that are significant to the overall cost of the asset, they are required to be classified and amortized separately. The Authority has reviewed its property, plant and equipment and identified that its parking garages should be componentized. As a result, the useful life of parking garages has been amended to identify the useful lives of different components of the garages. As this is a change in accounting estimates, the adjustment is applied prospectively. The impact is a \$392,000 decrease in amortization going forward.

8 Investments

Investments consist of bonds with financial institutions with a weighted average yield to maturity of 2.7% (2010 - 3.04%) and an average duration to maturity of 3.53 years (2010 - 4.91 years).

Investments include interest receivable of \$251,830 (2010 - \$392,357).

Investments reported in the statements of financial position at a fair value of \$58,127,630 (2010 - \$60,605,661) have a cost of \$58,021,205 (2010 - \$61,163,404).

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

Income from investments is included in income earned on financial instruments in the statements of comprehensive income and is composed of the following:

	2011 \$	2010 \$
Interest earned on cash balances	185,716	109,303
Interest earned on investments	1,633,518	2,128,103
Realized gain on sale of investments	902,728	1,787,172
	<hr/>	<hr/>
	2,721,962	4,024,578
Unrealized gain (loss) on investments - net	396,504	(536,816)
	<hr/>	<hr/>
	3,118,466	3,487,762

9 Accounts receivable

	2011 \$	2010 \$
Gross value	1,291,095	1,154,929
Provision for uncollectible accounts	(123,000)	(127,000)
	<hr/>	<hr/>
Accounts receivable - net	1,168,095	1,027,929

Writeoffs charged to the provision during the year were \$31,348 (2010 - \$131,231).

10 Finance lease receivable

A receivable under a finance lease is presented in the statements of financial position as follows:

	2011 \$	2010 \$
Finance lease receivable, current	648,050	648,050
Finance lease receivable, long-term portion	6,799,363	6,766,653
	<hr/>	<hr/>
	7,447,413	7,414,703

As lessor, the Authority has recognized a receivable from a hotel tenant for use of the land on which a hotel was constructed at 220 Bloor Street West. The ground lease is for a 99-year term with a commencement date of September 1, 1989, at which point lease payments commenced (note 25). Minimum lease payments are defined in the lease for the first 11 years after which adjustments were made to the minimum payments for each subsequent block of five rental years based on changes in the consumer price index. Percentage rent is also payable each lease year based on 6% of the hotel's gross receipts in excess of minimum rent.

A reconciliation of the gross investment in the lease to the present value of the minimum lease payments receivable (the Authority's net investment in the lease) and the payments due are detailed in the following schedules:

Toronto Parking Authority
Notes to Financial Statements
December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

Lease receivable - payments due	Gross investment in lease receivable \$	Future finance income \$	Present value of minimum lease payments \$
Not more than 1 year	648,050	(683,887)	(35,837)
1 year but not more than 5 years	2,613,800	(2,771,950)	(158,150)
Over 5 years	57,234,720	(49,593,320)	7,641,400
	<u>60,496,570</u>	<u>(53,049,157)</u>	<u>7,447,413</u>

There is an insignificant unguaranteed residual value recognized in light of the 99-year term of the lease and the uncertainty of the land value at such a distant point in the future. While the Authority legally retains title to the land, the present value of the land at the end of the lease term, if determinable, would likely not be significant.

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

11 Property and equipment

Property and equipment held by the Authority are detailed in the following schedule.

Note	Land \$	Parking garages - concrete structural component with 40-year useful life \$ (i)	Parking garages acquired by finance lease \$	Older parking garages and other components with a 25-year useful life \$ (ii)	Surface carparks \$	Surface carparks - acquired by finance lease \$	Equipment and furnishings \$	Carparks and projects- in- process \$	Total \$
Cost at January 1, 2010	63,785,187	19,554,453	1,996,740	48,203,081	15,616,095	223,428	50,399,388	2,279,158	202,057,530
Transfer to completed works	-	-	-	-	2,279,158	-	-	(2,279,158)	-
Acquisitions (net transfers) in 2010	(812,231)	-	-	13,291,124	-	-	9,048,430	-	21,527,323
Disposals in 2010	(160,074)	-	-	-	(19,055)	-	(24,972)	-	(204,101)
Cost at December 31, 2010	62,812,882	19,554,453	1,996,740	61,494,205	17,876,198	223,428	59,422,846	-	223,380,752
Acquisitions in 2011	2,909,445	-	-	2,398,984	753,084	-	1,175,468	50,157	7,287,138
Disposals in 2011	-	-	-	-	-	-	(34,377)	-	(34,377)
Cost at December 31, 2011	65,722,327	19,554,453	1,996,740	63,893,189	18,629,282	223,428	60,563,937	50,157	230,633,513
Accumulated amortization									
January 1, 2010	-	6,276,571	1,798,282	32,750,950	4,043,670	205,554	32,067,930	-	77,142,957
Amortization in 2010	-	782,178	79,870	1,645,981	531,608	8,937	4,233,328	-	7,281,902
Disposals in 2010	-	-	-	-	(19,055)	-	(24,972)	-	(44,027)
Accumulated amortization at December 31, 2010	-	7,058,749	1,878,152	34,396,931	4,556,223	214,491	36,276,286	-	84,380,832
Amortization in 2011	-	389,843	79,870	2,114,903	601,580	8,937	4,220,045	-	7,415,178
Disposals in 2011	-	-	-	-	-	-	(34,374)	-	(34,374)
Accumulation amortization at December 31, 2011	-	7,448,592	1,958,022	36,511,834	5,157,803	223,428	40,461,957	-	91,761,636
Net book value at January 1, 2010	63,785,187	13,277,882	198,458	15,452,131	11,572,425	17,874	18,331,458	2,279,158	124,914,573
Net book value at December 31, 2010	62,812,882	12,495,704	118,588	27,097,274	13,319,975	8,937	23,146,560	-	138,999,920
Net book value at December 31, 2011	65,722,327	12,105,861	38,718	27,381,355	13,471,479	-	20,101,980	50,157	138,871,877

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

Notes to schedule of property and equipment

- i) This component includes only the concrete structure of garage facilities built since 1990.
 - ii) This component includes the entire garage (structure and other components) built prior to 1990 and the non-structural components of garages built since 1990. All are amortized over a 25-year useful life.
- a) Title to all land purchased by the Authority is held by the City.
 - b) As at December 31, 2011 there are contractual commitments for the purchase or sale of property and equipment. Many of the commitments described below involve, in partnership with private developers, the sale of above grade strata title to air rights over land on which the Authority currently operates parking lots and the purchase of above grade and/or substrata title to parking structures in a completed development. Sale of above grade strata title is also known as selling condominium rights.
 - i) In 2008, the Authority entered into an agreement with a private developer that requires the Authority to purchase a 209-space underground garage at an estimated cost not to exceed \$9,000,000 when title to the completed facility is transferred. The project had not commenced as at December 31, 2011.
 - ii) In 2010, the Authority entered into an agreement with a private developer under which the Authority received cash proceeds for the sale of above strata air rights plus future delivery of a 150-space underground garage valued at \$6,000,000. The project had not commenced as at December 31, 2011 and the prepayment of the garage is recorded on the statements of financial position as an investment in a garage. The agreement requires construction of the garage to commence before the end of 2014. The agreement allows for a purchase price bonus to be paid to the Authority should the purchaser achieve site density in excess of specified thresholds. A density bonus of \$1.6 million was received by the Authority in 2012.
 - iii) In 2011, the Authority entered into an agreement with another private developer providing for the sale of above grade strata title over land on which a parking garage now operates. The proceeds will be in the form of cash plus delivery of strata title to an 800-space underground garage to be built under a residential condominium. The sale proceeds of the above grade strata title will be \$76,000,000, less the garage cost of \$32,000,000 for net proceeds of \$44,000,000. The agreement allows for a purchase price bonus to be paid to the Authority should the purchaser achieve site density in excess of a specified threshold.

The purchase and sale agreement has been approved by the Authority and City Council. Beginning in 2012, the Authority will receive 5% of the unpaid balance and interest on the unpaid balance until closing in December 2015. The Authority waived all of its conditions in March 2012. The project is not expected to commence until 2016.

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

- iv) In 2011, the Authority entered into an agreement with a private developer to sell the above grade air rights over an existing surface parking lot for consideration of \$3,000,000 plus additional consideration in the future should the final approved density and residential condominium sales levels exceed specified thresholds. The agreement also commits the Authority to purchase a 40-space (approximate) garage to be included in the final development for a price not to exceed \$40,000 per space. The project has not commenced as at December 31, 2011.
 - v) In 2011, the Authority entered into an agreement with a private developer to sell the above grade air rights over an existing surface parking lot for consideration of \$4,900,000. The agreement also commits the Authority to purchase approximately 66 spaces in an underground parking garage for a price not to exceed \$45,000 per space and a 10,000 square foot retail component (for subsequent leasing) at a price to be based on market rental rates. The project has not commenced as at December 31, 2011.
 - vi) The Authority has committed to purchase two properties for subsequent development into surface parking lots. One purchase for \$910,000 closed on May 4, 2012 and the other purchase for \$950,000 is scheduled to close on December 10, 2012.
- c) In a prior year, the Authority, as a lessee, entered into three long-term leases for terms of 25, 35 and 50 years to acquire the use of two parking structures and one surface lot. Under each lease, rent was in the form of a one-time lump sum payment at the inception of the lease and amounted to \$2,220,168 in total for all three leases. The lump sum payments approximated the fair value of the assets acquired and have been recorded as the cost of each asset. Each property is classified as property and equipment acquired by finance lease and amortized in accordance with the Authority's policy for similar assets. The unamortized cost (cost less accumulated amortization) of these three assets at December 31, 2011 is \$38,718 (2010 - \$127,525).

12 Provisions

As at December 31, 2011, the Authority has recorded provisions for the following liabilities:

- The Authority has not yet been assessed or billed for property taxes on certain parcels of land acquired for parking purposes. A provision for the estimated amount of property tax owing on these properties was determined using the assessed value of similar properties and the actual tax rates for the year. It is expected the properties will be assessed and billing rendered within the next year.
- The Authority is the defendant in a claim for unpaid fees related to a prior year land purchase. An amount has been accrued based on the opinion of legal counsel as to the likely outcome. The timing of the payout cannot be estimated with certainty.

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

The change in the provision during the year is as follows:

	\$
Provision at December 31, 2010	866,126
Amount charged against provision	(188,319)
Unused amounts reversed during the year	(522,116)
New provisions during the year	<u>35,753</u>
Provision at December 31, 2011	<u>191,444</u>

13 Related party transactions and balances

Related party relationships

The City is the ultimate controlling entity of the Authority as exercised through direction approved by City council. As related parties, the Authority and City enter into transactions and have outstanding balances owing and commitments to each other at points in time.

Other related parties with whom the Authority has significant transactions and who are related by virtue of being part of the same group controlled by the City are:

- Toronto Transit Commission (TTC) - the Authority manages the commuter parking lots of the TTC on a cost recovery basis and for a fixed management fee.
- City of Toronto - the Authority operates parking lots on a number of properties under the control of the parks and recreation and real estate departments of the City. The Authority pays rent for the use of these properties, typically calculated as a percentage of the net income earned. From time to time, the Authority utilizes services of the City's in-house legal department at billing rates charged to other departments.
- Toronto Hydro - the Authority utilizes hydro service at prevailing market billing rates.
- Key management personnel - the Authority's board of directors and certain senior officers are considered related parties when they have responsibility for planning, directing and controlling the activities of the Authority.

Related party transactions

The Authority operates 50 (2010 - 53) parking facilities on a year-round basis on properties owned by other City departments and agencies. There are 15 (2010 - 15) other locations operated during the summer months on behalf of the Parks and Recreation Department of the City. 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.

In the normal course of operations, the Authority incurs costs for various expenses payable to the City and related entities such as hydro, legal and other administrative costs.

Toronto Parking Authority

Notes to Financial Statements

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(all amounts are in Canadian dollars)

	2011 \$	2010 \$
Amounts paid to the City		
City's share of the Authority's net income	42,749,302	59,293,443
Municipal property taxes	17,349,635	18,097,007
Hydro and water	2,188,003	2,128,769
Rent paid for use of City-owned properties	1,354,853	1,739,158
Legal services	133,002	140,299
Office, maintenance supplies and other	203,397	98,549
Hydro costs paid to Toronto Hydro	293,356	294,677
Management fee received from the TTC	126,926	118,284

Related party balances

Amounts due to related parties are as follows:

	2011 \$	2010 \$
Due to the City	11,619,626	30,824,150
Due to the TTC	697,067	570,956
Due to Toronto Hydro	397,808	453,318
	<hr/>	<hr/>
	12,714,501	31,848,424

Amounts owing are due on demand and are non-interest bearing.

As at December 31, 2011, amounts due from related parties that are included in accounts receivable are as follows:

	2011 \$	2010 \$
Due from the TTC	608,873	480,907
Due from the City	35,414	39,046
	<hr/>	<hr/>
	644,287	519,953

Reserve funds

The City maintains a number of reserve funds on behalf of the Authority. These reserve funds were established by City council and are detailed in Chapter 227 of the City of Toronto Municipal Code. The City holds the following reserve funds for use by the Authority in funding capital projects.

- Parking Authority Shopping Mall Rented Properties Reserve Fund (PASMRPRF)

Net income generated by retail leasing operations that are developed and operated by the Authority is paid annually into the PASMRPRF to fund property and equipment purchases. During the year, gross revenue earned was \$1,276,806 (2010 - \$1,314,728) and expenses incurred were \$699,494 (2010 - \$920,672). The balance in this fund as at December 31, 2011 is \$3,022,716 (2010 - \$2,422,570). During 2011 and 2010, no money was drawn from the PASMRPRF to finance property and equipment additions.

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

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- Parking Payment In Lieu Reserve Fund

Parking payments received by the City from developers under agreements in lieu of providing facilities are paid into the Parking Payment in Lieu Reserve Fund to fund property and equipment purchases. The amount credited into this fund during 2011 was \$920,081 (2010 - \$nil). The balance in this fund as at December 31, 2011 is \$8,684,660 (2010 - \$7, 691,937). During 2011 and 2010, no money was drawn from the fund to finance property and equipment additions.

Compensation of directors and key management

Compensation to the key managers, including directors, with responsibility to plan, direct and control the operations of the Authority is \$1,161,000 (2010 - \$1,105,000) and consists of salaries and short-term benefits.

14 Debt payable

Debt payable consists of:

- An amount of \$1,792,100 (2010 - \$3,792,100) is owing for the purchase of equipment upgrades undertaken in 2007, all of which is current (2010 - \$2,000,000) and is included in current liabilities. In 2012, the debt was fully repaid. The amount payable does not bear interest and has not been discounted.
- An amount of \$7,104,103 (2010 - \$7,450,825) is owing for the purchase of equipment upgrades undertaken in 2009 and 2010, of which \$6,736,335 (2010 - \$7,104,103) is classified as long-term and \$367,768 (2010 - \$346,722) is included in current liabilities. The original amount owing of \$7,618,088 is payable over 15 years at an effective interest rate of 2.298% with the term ending on June 30, 2025. Finance interest paid during the year was \$167,630 (2010 - \$86,738).

Debt payable will be repaid as follows:

	\$
2012	2,159,868
2013	389,629
2014	412,330
2015	435,900
2016	460,367
2017 and thereafter	<u>5,038,109</u>
	<u>8,896,203</u>

15 Equity

Equity of the Authority represents the accumulated retained comprehensive income of the Authority, less distributions to the City. Equity of the Authority is retained to fund the purchase and maintenance of major property and equipment. The Authority is without share capital with the City holding a 100% beneficial interest in the Authority's equity.

Toronto Parking Authority

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December 31, 2011 and December 31, 2010

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16 Parking revenue

Parking revenue is made up of the following components:

			2011	2010
	On-street	Off-street	Total \$	Total \$
Short-term fees - cash and credit card	46,112,324	66,124,756	112,237,080	109,743,258
Short-term fees - Fast Track card	71,457	360,797	432,254	338,546
Monthly parking permit sales	-	5,904,091	5,904,091	5,878,688
Courtesy charges	-	320,808	320,808	374,662
Special event billings	-	478,578	478,578	276,384
	<u>46,183,781</u>	<u>73,189,030</u>	<u>119,372,811</u>	<u>116,611,538</u>

17 Employee benefits

Salary, wages and benefits included in direct expenses - operating consist of:

			2011	2010
	On-street	Off-street	Total \$	Total \$
Salaries and wages	1,921,367	10,778,276	12,699,643	12,345,241
Benefits expense	264,601	1,793,157	2,057,758	2,087,096
OMERS pension plan contributions	113,413	778,094	891,507	730,329
Canada Pension Plan premiums	54,722	461,173	515,895	488,066
	<u>2,354,103</u>	<u>13,810,700</u>	<u>16,164,803</u>	<u>15,650,732</u>

Salary, wages and benefits included in administration expense consist of:

	2011	2010
	\$	\$
Salary	3,655,777	3,584,214
Benefits expense	750,129	747,349
OMERS Pension Plan contributions	324,002	297,039
Canada Pension Plan premiums	122,433	119,645
	<u>4,852,341</u>	<u>4,748,247</u>

Toronto Parking Authority

Notes to Financial Statements

December 31, 2011 and December 31, 2010

(all amounts are in Canadian dollars)

18 Other income

Other income consists of the following amounts:

	2011 \$	2010 \$
Income earned on financial instruments		
Held-for-trading financial assets - fair value adjustment	396,504	(536,816)
Investment income from held-for-trading financial assets	2,721,962	4,024,578
Interest earned - finance lease (loans and receivables)	680,760	676,883
	<u>3,799,226</u>	<u>4,164,645</u>
Other income		
Gain on sale of property and equipment	7,178	25,957,459
Property tax refund	2,392,902	-
Miscellaneous other income	974,970	1,262,487
	<u>3,375,050</u>	<u>27,219,946</u>
	<u>7,174,276</u>	<u>31,384,591</u>

19 Operating leases in which the Authority is the lessor

The Authority is lessor in a number of operating leases for building properties. The future minimum lease payments receivable under non-cancellable operating leases for these properties are:

Receivable in:	2011 \$	2010 \$
Not more than 1 year	871,639	895,157
1 year but not more than 5 years	1,720,712	2,283,639
Over 5 years	1,734,186	2,042,898
	<u>4,326,537</u>	<u>5,221,694</u>

These operating leases do not provide for contingent rental payments.

20 City's share of net income

In 1998, the City and the Authority established an income-sharing arrangement for a three-year period ending December 31, 2000. The arrangement has been continuously renewed, most recently for the 2010 to 2012 period. Under this renewal, the Authority pays annual rent equal to the greater of 75% of its comprehensive income for the year or \$30,000,000.

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One-time payments to the City

From time to time, the Authority will pay an amount to the City that is in excess of its forecasted capital budget funding requirements over the ensuing ten-year period. The capital budget is the plan in which most property and equipment purchases are approved. This return of funds is in addition to the City's share of annual comprehensive income paid under the income-sharing arrangement. When property sales occur, gains on sale of the property sold, typically under agreements with private developers, are included in the profit or loss of the Authority. Under the income-sharing arrangement, the Authority retains only 25% of such gains to fund capital requirements. The agreements typically take the form of a sale of air rights at an existing surface car park followed by the supply of underground garage spaces to the Authority in the redeveloped property. The Authority thereby maintains or expands its existing supply of parking spaces while maximizing the value of the land. When evaluating such opportunities, the Authority requires that the proceeds from the sale of the air rights be sufficient to fund the underground garage spaces purchased as part of the redevelopment arrangement. On most projects, the cost of the underground parking has either been less than or has not significantly exceeded the 25% portion of the gain on the sale the Authority retains to fund its purchase.

Funding of capital program

Under the City of Toronto Municipal Code, Chapter 227, any earnings retained by the Authority are to be applied in the following order:

- i) to principal and interest on debentures issued to finance the cost of parking facilities;
- ii) toward the cost of new parking facilities; and
- iii) for other purposes as determined by City Council.

Income retained by the Authority, after payments to the City of 75% of its comprehensive income and any one-time payments, is used solely to fund its capital program. The Authority has never financed new car park development through debentures or any other form of debt financing.

During 2010 and 2011, the Authority, as part of its capital program funding analysis, determined it did not have excess funds available from its capital program to return to the City as a one-time distribution. In 2008 and 2009, the Authority returned a total of \$30,000,000 to the City as one-time distributions.

21 Financial instruments

IFRS 7, Financial Instruments: Disclosures, requires disclosure of a three level hierarchy for fair value measurement that reflects the significance of the inputs used in valuing an asset or liability measured at fair value. The three levels are defined as follows:

- Level 1- fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

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- Level 2 - fair value is based on observable inputs, other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes private equity investments and securities that have liquidity restrictions.

The fair value of the Authority's investments, which are comprised of Canadian government and corporate bonds, were determined based on observable inputs for similar instruments quoted in active markets and as such these investments are considered to be Level 2 of the fair value hierarchy.

Nature and extent of risks arising from financial instruments

The Authority's investment activities expose it to certain financial risks. These risks include market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Authority manages these financial risks in accordance with its policy on investments, which restricts investments to high quality, conservative instruments prescribed for municipalities under Ontario Regulation 610/06 (Financial Activities) of the City of Toronto Act, 2006.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority manages market risk by investing in a range of maturity terms with diverse issuers. Market risk is comprised of the following:

- Foreign currency risk

The Authority has no material exposure to foreign currency risk.

- Interest rate risk

Interest rate risk refers to the effect on the fair value or future cash flows of an investment or debt obligations due to fluctuations in interest rates. Historically, as opportunities arise, the Authority has sold investments when interest rates have been declining in order to realize the resulting profits. The Authority is not exposed to significant interest rate risk on its monetary current assets and current liabilities due to their short-term maturities. The Authority's long-term debt has a fixed rate of interest and is therefore not subject to fair value changes as a result of interest rate changes.

The investment portfolio primarily consists of fixed interest securities. The investment portfolio's sensitivity to interest rate changes is such that a 1% increase in interest rates would result in a 3.31% reduction in the fair value of the portfolio. Conversely, a 1% decrease in interest rates would result in a 3.31% increase in the fair value of the portfolio.

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- Price risk

Price risk is the risk the fair value of an investment will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk).

The Authority is exposed to changes in electricity prices associated with the wholesale spot market for electricity in Ontario. The Authority has not addressed the commodity price risk exposure associated with changes in the wholesale price of electricity as it has not entered into any energy related purchase and sales contracts since 2009.

Credit risk

Credit risk is the risk the Authority will be unable to redeem investments or collect accounts receivable or other debts due to it. The Authority collects revenues primarily in cash and does not extend a significant amount of trade credit. The Authority attempts to control credit risk on its investments through a conservative investment policy, which involves only purchasing investments prescribed in the financial activities regulation of the City of Toronto Act, 2006 and focusing on issuers with strong credit ratings. Credit risk is considered low.

Liquidity risk

Liquidity risk is the risk the Authority will be unable to settle or meet commitments as they come due. The Authority's commitments are largely in the form of short-term liabilities, which are met out of cash flows generated by operating activities and long-term investments. Varying maturities of investments are purchased to ensure the Authority can fund its capital program as needs arise. Long-term liabilities are not considered material and repayment is scheduled to allow settlement from cash flows generated from operating activities. The effect is a stable cash flow from operations, which acts to reduce liquidity risk.

The tables below are a maturity analysis of the Authority's financial liabilities:

	2011				
	Up to 1 month \$	More than 1 month up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	7,665,994	-	-	-	7,665,994
Due to related parties	12,714,501	-	-	-	12,714,501
Debt payable	43,392	2,116,476	1,698,226	5,038,109	8,896,203
	<u>20,423,887</u>	<u>2,116,476</u>	<u>1,698,226</u>	<u>5,038,109</u>	<u>29,276,698</u>

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	2010				
	Up to 1 month \$	More than 1 month up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	8,010,080	-	-	-	8,010,080
Due to related parties	31,848,424	-	-	-	31,848,424
Debt payable	42,333	2,304,389	3,397,727	5,498,477	11,242,926
	39,900,837	2,304,389	3,397,727	5,498,477	51,101,430

22 Capital management

The Authority returns 75% of its annual comprehensive income to the City and retains 25% to fund its long-term, multi-year capital budget plan. As such, the majority of the Authority's capital is already invested in property and equipment and the majority of funding for the multi-year capital plan is derived from future income still to be earned. The Authority attempts to maintain capital on hand at a level sufficient to fund one to two years of capital investment and holds this capital in a combination of cash and longer term bonds to balance the dual goals of maximizing returns while maintaining sufficient liquidity to allow the Authority to react to capital investment opportunities as they arise.

To the extent funding is projected to exceed capital budget needs over the capital budget period, excess funds are returned to the City in order to maintain capital levels at one to two years of capital investment needs.

As at December 31, 2011, the Authority has met its objective of having sufficient liquid resources to meet its current obligations and fund capital investment opportunities as they arise.

23 Commitments and contingent liabilities

Commitments

- Commitments to purchase property and equipment are disclosed in note 11, property and equipment.
- The Authority has a commitment under an extended warranty agreement with a third party for the servicing of pay and display equipment. The agreement expires on June 30, 2025 and calls for future payments by the Authority starting at \$1,400,000 in 2012 based on current equipment totals with an annual inflation factor increase based on the Consumer Price Index (CPI).
- On behalf of the Authority, the City enters into contracts to purchase natural gas at fixed prices. These contracts are entered into and continue to be held for the purpose of receipt of natural gas in accordance with the Authority's expected usage.
- Future minimum payments under a snow clearing contract that expires in 2015 are estimated at \$1,200,000 by 2012 with an annual inflation factor increase based on CPI.

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- Commitments under operating leases for use of land and equipment are as follows:

Payable in:	2011 \$	2010 \$
Not more than 1 year	1,088,000	961,000
1 year but not more than 5 years	2,808,000	2,603,000
Over 5 years	1,169,000	1,636,000
	<u>5,065,000</u>	<u>5,200,000</u>

Contingent rent paid under these leases is based on a percentage of income earned by the Authority related to the leased properties. The amount of contingent rent paid under these leases during the year was \$3,014,000 (2010 - \$2,711,000).

Contingent liabilities

The Authority has contingent liabilities in respect of legal claims arising in the ordinary course of business. At present, the outcome of these cases is not determinable. The Authority believes these claims are without merit and will vigorously defend itself in each of these actions. It is not anticipated that any material liabilities will arise from the contingent liabilities, other than those provided for.

24 Statements of cash flows

The net change in non-cash working capital balances related to operating activities consists of the following:

	2011 \$	2010 \$
Accounts receivable	(140,166)	654,040
Supplies	(13,337)	(3,243)
Prepaid expenses	(61,665)	(48,776)
Accounts payable and accrued liabilities	(344,086)	1,050,283
Provisions	(674,682)	235,782
Deferred revenue	(77,193)	43,015
Due to related parties	(19,133,923)	(7,811,521)
	<u>(20,445,052)</u>	<u>(5,880,420)</u>

25 Prior period restatements

The detailed review carried out by management that was necessary to identify and effect the changes to practices, policies and accounts required for transition to IFRS revealed transactions entered into in the past that were classified differently than Canadian GAAP prescribed at that time. In transitioning to IFRS, these transactions were reclassified as a prior period adjustment as they were not accounted for in the prescribed manner in the past and in order to conform to IFRS.

Management noted that the Authority had entered into long-term leases in which lump sum payments were paid at the inception of the leases. These amounts were recorded as deferred charges and amortized into

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income over the terms of the leases. It was determined that the Authority assumed the risks and benefits of ownership of each of the leases and thus they should have been accounted for as capital leases.

In addition, the Authority had entered into an agreement prior to the transition date whereby the Authority transferred the air rights to one of its properties to a third party under a ground lease with a term of 99 years, which was the only method permitted by the City at the time. The Authority accounted for the lease as an operating lease. Under Canadian GAAP and IAS 17, Leases, the lease should have been recorded as a financing lease.

The adjustments to various financial statement lines as at January 1, 2010 and December 31, 2010 as a result of these prior period restatements are summarized as follows:

					January 1, 2010
	As previously reported \$	Adjustment for prepaid lease payments \$	Adjustment for long-term ground lease \$	IFRS transition adjustments \$ (note 6)	Balance after restatement \$ (Unaudited)
Finance lease receivable (current)	-	-	617,519	-	617,519
Prepaid expenses	533,965	(76,574)	-	-	457,391
Finance lease receivable (long-term)	-	-	6,737,820	-	6,737,820
Deferred charges	458,132	(458,132)	-	-	-
Property and equipment	131,544,254	216,332	(3,003,675)	(3,842,338)	124,914,573
Retained earnings	169,254,058	(318,374)	4,351,664	(3,842,338)	169,445,010
					December 31, 2010
	As previously reported \$	Adjustment for prepaid lease payments \$	Adjustment for long-term ground lease \$	IFRS transition adjustments \$ (note 6)	Balance after restatement \$
Finance lease receivable (current)	-	-	648,050	-	648,050
Prepaid expenses	582,741	(76,574)	-	-	506,167
Finance lease receivable (long-term)	-	-	6,766,653	-	6,766,653
Deferred charges	381,559	(381,559)	-	-	-
Property and equipment	144,610,952	127,526	(3,003,675)	(2,734,883)	138,999,920
Retained earnings	189,052,641	(330,607)	4,411,028	(2,734,883)	190,398,179
Direct expenses, operating	35,951,297	(76,574)	-	16,175	35,890,898
Amortization of property and equipment	8,316,725	88,807	-	(1,123,630)	7,281,902

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26 Direct expenses - operating

	2011			2010
	On-street	Off-street	Total	Total
	\$	\$	\$	\$
Salaries, wages and benefits (note 17)	2,354,103	13,810,700	16,164,803	15,650,732
Maintenance of facilities and equipment	1,802,047	2,760,726	4,562,773	5,421,392
Rent	-	5,010,087	5,010,087	3,743,396
Utilities	-	2,448,911	2,448,911	2,388,820
Pay and display network communications	1,939,077	175,798	2,114,875	2,043,514
Tickets	992,079	382,065	1,374,144	1,532,763
Credit card processing fees	617,172	1,152,378	1,769,550	1,455,016
Security and monitoring	150	897,192	897,342	1,008,292
Snow clearing	-	1,285,969	1,285,969	963,354
Insurance	64,382	711,039	775,421	718,187
Staff mileage	25,941	183,817	209,758	213,614
Telephone	5,434	210,399	215,833	206,180
Outside coin counting	100,293	39,060	139,353	174,150
Other	22,275	385,754	408,029	371,488
	7,922,953	29,453,895	37,376,848	35,890,898