Toronto Parking Authority

Financial Statements
December 31, 2015
(all amounts are in Canadian dollars)

June 13, 2016

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 statement of financial position as at December 31, 2015 and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 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, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto Parking Authority

Statement of Financial Position

As at December 31, 2015

(all amounts are in Canadian dollars)

	Note	2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	4	144,220,618	61,727,973
Restricted cash	25	4,936,407	-
Investments	7	41,985,516	59,089,900
Accounts receivable	8, 12(c)	1,191,429	858,507
Finance lease receivable	9	664,251	648,050
Supplies		190,075	301,765
Prepaid expenses		3,191,812	812,377
		196,380,108	123,438,572
Finance lease receivable	9	6,942,940	6,917,478
Investment in garage	10(b)(ii & iii)	38,000,000	6,000,000
Property and equipment	10	144,091,994	135,965,174
		385,415,042	272,321,224
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		10,576,584	6,540,646
Provisions	11	234,250	200,250
Deferred revenue		1,845,847	1,162,172
Due to related parties	12(c)	74,355,442	5,757,749
Due to other parties	25	4,936,407	-
Debt payable	13	460,041	435,591
		92,408,571	14,096,408
Deferred deposits		-	11,285,250
Debt payable	13	5,034,544	5,494,585
		97,443,115	30,876,243
Equity	14	287,971,927	241,444,981
		385,415,042	272,321,224
Commitments and contingent liabilities	22		

Approved on Behalf of the Board of Directors

____________________ Chairman ____________________ President

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

Toronto Parking Authority

Statement of Income and Comprehensive Income

For the year ended December 31, 2015

(all amounts are in Canadian dollars)

	Note	2015 $	2014 $
Parking revenue	15	133,077,061	128,755,234
Direct expenses			
Operating	24	43,600,847	41,414,551
Municipal property tax		19,728,299	18,986,602
Finance interest paid on debt	13	131,762	141,503
Amortization of property and equipment	10	7,097,651	7,325,685
		70,558,559	67,868,341
Income before administration expense and other income		62,518,502	60,886,893
Administration expense	16	9,737,941	8,140,321
Income before other income		52,780,561	52,746,572
Other income			
Income earned on financial instruments	17	2,416,570	3,702,102
Other income	17	108,786,676	1,563,932
		111,203,246	5,266,034
Net income and comprehensive income for the year		163,983,807	58,012,606

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

Toronto Parking Authority

Statement of Changes in Equity

For the year ended December 31, 2015

(all amounts are in Canadian dollars)

	Note	2015 $	2014 $
Balance - Beginning of year		241,444,981	227,777,287
Net income and comprehensive income for the year		163,983,807	58,012,606
		405,428,788	285,789,893
Special distribution to City of Toronto	19	(7,643,276)	(639,000)
Annual distribution to City of Toronto	19	(109,813,585)	(43,705,912)
Balance - End of year		287,971,927	241,444,981

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

Toronto Parking Authority

Statement of Cash Flows

For the year ended December 31, 2015

(all amounts are in Canadian dollars)

	Note	2015 $	2014 $
Cash flows from operating activities			
Net income and comprehensive income for the year		163,983,807	58,012,606
Add (deduct) non-cash items			
Amortization of property and equipment	10	7,097,651	7,325,685
Gain on sale of property and equipment	10	(107,326,522)	-
Net amount - interest/finance income and finance charges		(2,213,960)	(3,495,099)
Net unrealized gain on held-for-trading financial assets	17	(35,424)	(65,500)
		61,505,552	61,777,692
Net change in non-cash working capital balances related to operating activities	23	2,342,602	3,620,747
Net cash flow from operating activities		63,848,154	65,398,439
Cash flows from investing activities			
Interest received from held-for-trading financial assets	17	1,691,433	2,945,537
Payments received for finance leases	9	648,050	648,050
Increase in investment in garages		(32,000,000)	-
Proceeds from sale of property and equipment		108,155,230	-
(Decrease) increase in deferred receipt from asset sale		(11,285,250)	3,700,250
Purchase of property and equipment	10	(16,053,179)	(6,509,306)
Net cash flow from investing activities		51,156,284	784,531
Cash flows from financing activities			
Net decrease in investments		17,104,384	15,378,800
Distribution to City of Toronto		(49,048,824)	(44,344,912)
Long-term debt to finance purchase of property and equipment			
Repayments	13	(435,591)	(412,038)
Finance charges paid on long-term debt	13	(131,762)	(141,503)
Net cash flow from financing activities		(32,511,793)	(29,519,653)
Increase in cash and cash equivalents during the year	4	82,492,645	36,663,317
Cash and cash equivalents - Beginning of year		61,727,973	25,064,656
Cash and cash equivalents - End of year		144,220,618	61,727,973

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

(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 comply with all the requirements of International Financial Reporting Standards (IFRS).

These financial statements were authorized by the Authority's Board of Directors at their meeting held on June 13, 2016.

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. On November 15, 2013, Municipal Code Chapter 179, Parking Authority was amended to expand the Authority's mandate to include the responsibility and authority for the operation and management of the City's public bike share program.

The address of the Authority's 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 19.

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

3 Basis of presentation

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 are required to apply IFRS as set out in Part I of the Chartered Professional Accountants of Canada 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.

(all amounts are in Canadian dollars)

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.

- **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 receivables	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 and cash equivalents**

Cash and cash equivalents comprise cash-on-hand, deposits held on call with banks and other liquid investments with original maturities of less than three months. As at December 31, 2015, liquid investments totalled $125,000,000 (2014 - $nil) and are included in cash and cash equivalents.

(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 their evaluation and management.

  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 statement of income and 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 statement of income and 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**

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

(all amounts are in Canadian dollars)

- **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 statement of financial position and recognizing an expense in the statement of income and 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.

Property and equipment and investment property

- **Measurement basis - cost model**

  The Authority measures 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.

- **Amortization**

  The amount subject to amortization 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 assets are available for use 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

(all amounts are in Canadian dollars)

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, 2015 or December 31, 2014.

- **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.

(all amounts are in Canadian dollars)

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 and sponsorship revenue paid in advance, which are to be earned and recognized in future periods.

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.

(all amounts are in Canadian dollars)

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 2015 annual report to members), the plan was in a deficit position of approximately $7.0 billion at the end of 2015, a decrease from a deficit of $7.1 billion in 2014. OMERS is funding this deficit through a combination of contribution increases, temporary benefit calculation changes and an investment strategy designed to generate strong and stable investment returns over the long term.

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.

     - 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.

(all amounts are in Canadian dollars)

- 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 statement of financial position 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.

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, 2016, 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) IAS 1, Presentation of Financial Statements, was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The improvements are effective for years beginning on or after January 1, 2016.

b) IFRS 9, Financial Instruments, is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments - Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured using amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest; otherwise, it is measured at fair value through profit or loss. In addition, the requirements for hedge accounting have been replaced with new guidance which states there is a requirement for an economic interest between the hedged item and hedging instrument, and for the hedged ratio to be the same as the one the entity actually uses for risk

(all amounts are in Canadian dollars)

management purposes. The mandatory effective date of this standard was deferred and is effective January 1, 2018.

IFRS 7, Financial Instruments - Disclosures, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. This standard becomes effective on adoption of IFRS 9.

c) IFRS 15, Revenue from Contracts with Customers, will supersede guidance included in IAS 18, Revenue, and IAS 11, Construction Contracts, and requires an entity to recognize revenue to depict the transfer of goods or services to customers at an amount the entity expects to be entitled to exchange for those goods or services. This standard is effective for years beginning on or after January 1, 2018.

d) IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after January 1, 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Authority is currently assessing the impact of adoption of these standards on the financial statements.

6 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).

(all amounts are in Canadian dollars)

7 Investments

Investments consist of bonds with financial institutions with a weighted average yield to maturity of 2.01% (2014 - 2.15%) and a weighted average duration to maturity of 2.84 years (2014 - 1.63 years). Investments include interest receivable of $207,645 (2014 - $255,273).

Investments reported in the statement of financial position at a fair value of $41,777,871 (2014 - $58,834,627), excluding interest receivable, have a cost of $41,777,871 (2014 - $58,655,756).

8 Accounts receivable

	2015 $	2014 $
Gross value	1,223,429	890,507
Provision for doubtful accounts	(32,000)	(32,000)
Accounts receivable - net	1,191,429	858,507

Writeoffs charged to the provision during the year were $nil (2014 - $3,607).

9 Finance lease receivable

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

	2015 $	2014 $
Finance lease receivable, current portion	664,251	648,050
Finance lease receivable, long-term portion	6,942,940	6,917,478
	7,607,191	7,565,528

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. 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.

(all amounts are in Canadian dollars)

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:

Lease receivable - payments due	Gross investment in lease receivable $	Future finance income $	Present value of minimum lease payments $
Not more than 1 year	664,251	(698,460)	(34,209)
1 year but not more than 5 years	2,679,145	(2,828,499)	(149,354)
Over 5 years	54,555,575	(46,764,821)	7,790,754
	57,898,971	(50,291,780)	7,607,191

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.

(all amounts are in Canadian dollars)

10 Property and equipment

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

	2015							2014
	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 car parks $	Equipment and furnishings $	Total $	Total $
Cost at January 1	68,220,137	19,554,453	483,990	75,944,429	19,725,020	63,810,181	247,738,210	241,228,904
Acquisitions	9,623,091	-	-	2,097,147	3,480,880	852,061	16,053,179	6,509,306
Disposals	(312,510)	-	-	(5,455,509)	-	(59,873)	(5,827,892)	-
Cost at December 31	77,530,718	19,554,453	483,990	72,586,067	23,205,900	64,602,369	257,963,497	247,738,210
Accumulated amortization at January 1	-	8,760,819	483,990	43,489,749	7,221,711	51,816,767	111,773,036	104,447,351
Amortization	-	392,335	-	2,379,809	802,043	3,523,464	7,097,651	7,325,685
Disposals	-	-	-	(4,955,106)	-	(44,078)	(4,999,184)	-
Accumulated amortization at December 31	-	9,153,154	483,990	40,914,452	8,023,754	55,296,153	113,871,503	111,773,036
Net book value at December 31	77,530,718	10,401,299	-	31,671,615	15,182,146	9,306,216	144,091,994	135,965,174

(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 on a straight-line basis over a 25-year useful life.

a) Title to all land purchased by the Authority is held in the name of the City.

b) As at December 31, 2015, 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, 2015.

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. Construction of the garage commenced in 2014 and it 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. The prepayment of the garage is recorded on the statement of financial position as an investment in garage until the garage is completed, at which time it will be transferred to property and equipment.

iii) In 2011, the Authority entered into an agreement with a private developer for the sale of above grade strata title over land plus a future delivery of strata title to an 800-space underground garage to be built under a residential condominium at a cost of $32,000,000. The purchase and sale agreement was finalized in fiscal 2015 and the Authority received gross cash proceeds of $44,000,000 as well as a density bonus of $25.6 million. The construction of the garage is expected to commence in 2017 and the prepayment of the garage is recorded on the statement of financial position as an investment in garage until the garage is completed, at which time it will be transferred to property and equipment.

iv) In 2011, the Authority entered into an agreement with a private developer under which the Authority received cash proceeds in 2013 for the sale of above strata air rights 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 commenced in 2014.

(all amounts are in Canadian dollars)

v) In 2011, the Authority entered into an agreement with a private developer under which the Authority received cash proceeds in 2013. 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 commenced in 2014.

vi) In 2012, the Authority, along with two adjacent property owners, entered into an agreement with a private developer to sell the above grade air rights over all three properties for consideration of $50,000,000 plus additional consideration in the future should the final approved density exceed specified thresholds. The Authority's property being sold is above an existing surface parking lot. The total proceeds are to be allocated among the vendors based on proportionate land area. The agreement also commits the Authority to purchase a 250 (minimum) space garage to be included in the final development for a price of $40,000 per space. The sale is to close in 2016 and construction must commence within 36 months of the closing date.

vii) In 2014, the Authority entered into an agreement with a private developer for the sale of above grade strata title over land on which a surface parking lot now operates for a sale price of $14,500,000. 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 sale is to close one year after waiver of the conditions stated in the agreement. The conditions have not been waived as of December 31, 2015. The agreement also commits the Authority to purchase a 175 (minimum) space garage to be included in the final development for a price of $45,000 per space. Construction must commence within five years after the waiver of the conditions in the sale of the above grade strata title.

viii) In 2014, the Authority entered into an agreement to purchase a property for subsequent development of a surface parking lot. Closing date of the purchase is expected to be in 2016 for the purchase price of $1,200,000.

ix) In 2015, the Authority entered into an agreement to purchase a property for subsequent development of a surface parking lot. The transaction was closed in February 2016 for the purchase price of $2,318,000.

x) In 2015, the Authority entered into an agreement to purchase a property for subsequent development of a surface parking lot. The transaction was closed in March 2016 for the purchase price of $777,000.

xi) In 2015, the Authority entered into an agreement to purchase a property for subsequent development of a surface parking lot. Closing date of the purchase is expected to be in 2016 for the purchase price of $3,215,000.

xii) In 2013, the Authority entered into an agreement with a private developer for the sale of a surface carpark for $1,000,000 plus a purchase price bonus to be paid should the purchaser achieve site density in excess of specified threshold. The purchaser commits to build a public parking garage at its own cost. The closing date is expected to be in 2017.

(all amounts are in Canadian dollars)

xiii) In 2013, the Authority entered into an agreement with a private developer for the sale of a surface carpark for $5,706,075 plus a purchase price bonus to be paid should the purchaser achieve site density in excess of the specified threshold. Closing date for the sale is expected to be in 2016. The Authority is committed to purchase the public parking garage to be constructed by the Purchaser at a purchase price of $2,750,000. The Authority has to option to purchase the retail component of the property to be constructed by the developer for a purchase price determined by an appraiser.

xiv) In 2015, the Authority entered into an agreement to purchase a newly constructed 132 space parking garage from a developer for a purchase price of $6,600,000. The Authority has to option to purchase additional spaces if the garage can be designed to accommodate more than 132 spaces at a purchase price of $50,000 per additional space. As of December 31, 2015, conditions of the agreement have not been waived yet. Closing date is expected to be in 2018.

c) From the sale disclosed in note (b)(iii) above the Authority realized a gain on sale of property and equipment in the amount of $107,326,522. The net book value of the assets disposed of in this transaction is $812,913.

11 Provisions

As at December 31, 2015, 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. Billings would be due on receipt and 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.

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

	2015 $	**2014** $
Opening balance	200,250	244,820
Unused amounts reversed during the year	-	(78,570)
Additional year provided for unassessed/unbilled property tax	34,000	34,000
Closing balance	234,250	200,250

(all amounts are in Canadian dollars)

12 Related party transactions and balances

a) 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.

- Toronto Community Housing Corporation (TCHC) - the Authority manages the visitor parking lots of the TCHC on a percentage commission 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.

b) Related party transactions

The Authority operates 53 parking facilities on a year-round basis on properties owned by other City departments and agencies. There are 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.

(all amounts are in Canadian dollars)

	2015 $	2014 $
Amounts paid to the City		
City's share of the Authority's net income	109,813,585	43,705,912
Municipal property taxes	20,896,787	19,457,668
Hydro and water	2,604,473	2,472,271
Rent paid for use of City-owned properties	2,023,692	2,080,713
Legal services	221,384	166,925
Office, maintenance supplies and other	394,442	333,978
Hydro costs paid to Toronto Hydro	333,228	277,678
Rent paid for use of TTC-owned properties	311,317	302,868
Management fee received from the TTC	126,640	124,092
Management fee received from the TCHC	307,120	99,644

c) Related party balances

Amounts due to related parties are as follows:

	2015 $	2014 $
Due to the City	73,105,774	4,697,737
Due to the TTC	889,369	774,513
Due to the TCHC	305,110	-
Due to Toronto Hydro	55,189	285,499
	74,355,442	5,757,749

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

As at December 31, 2015, amounts due from related parties that are included in accounts receivable are as follows:

	2015 $	2014 $
Due from the TTC	720	14,002
Due from the City	23,168	76,147
	23,888	90,149

(all amounts are in Canadian dollars)

d) 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 $1,016,167 (2014 - $1,069,516) and expenses incurred were $1,267,569 (2014 - $1,097,924). Net rental loss of $251,402 (2014 - $57,819) was added to the fund balance as the loss was absorbed by the Authority. Interest income earned was $18,279 (2014 - $29,411). The balance in this fund as at December 31, 2015 is $3,538,986 (2014 - $3,269,305). During 2015 and 2014, no funds were drawn from the PASMRPRF to finance property and equipment additions.

- 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. Interest income earned was $31,781 (2014 - $54,738). Capital expenditures adjustment of $31,515 from prior years was added back to the fund in 2015. The balance in this fund as at December 31, 2015 is $1,855,815 (2014 - $5,747,591). During 2015, $3,955,072 (2014 - $49,197) was drawn to finance property additions.

- Bike Share Reserve Fund

  Established November 2013, this fund provides a source of funding for the debt, transition costs, interim operating payments, capital expansion and replacement costs and ongoing contributions to the Authority for any system operating losses related to the bike share program. In 2013, the City transferred the property and equipment to the Authority to operate the program. In the event the bike share program operated by the Authority should generate an operating surplus, the Authority is required to replenish the Bike Share Reserve Fund with a transfer of the amount of the surplus. During 2015, $309,421 (2014 - $213,619) was drawn to offset current operation loss.

e) 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 $1,473,776 (2014 - $1,422,925) and consists of salaries and short-term benefits. Included in benefits are OMERS pension plan contributions of $133,723 (2014 - $130,433).

(all amounts are in Canadian dollars)

13 Debt payable

Debt payable of $5,494,585 (2014 - $5,930,176) is owing for the purchase of equipment upgrades undertaken, of which $5,034,544 (2014 - $5,494,585) is classified as long-term and $460,041 (2014 - $435,591) 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 $131,762 (2014 - $141,503).

Debt payable will be repaid as follows:

	$
2016	460,041
2017	485,417
2018	511,749
2019	539,070
2020	567,411
2021 and thereafter	2,930,897
	5,494,585

14 Equity

Equity of the Authority represents the accumulated retained net income and 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.

15 Parking revenue

Parking revenue is made up of the following components:

	2015			2014
	On-street $	Off-street $	Total $	Total $
Short-term fees - cash and credit card	48,568,659	73,683,585	122,252,244	119,892,759
Short-term fees - Fast Track card	-	2,521,442	2,521,442	2,829,138
Short-term fees - mobile payment	-	2,418,207	2,418,207	-
Monthly parking permit sales	-	5,646,721	5,646,721	5,750,642
Courtesy charges	-	199,298	199,298	209,951
Special event billings	-	39,149	39,149	72,744
	48,568,659	84,508,402	133,077,061	128,755,234

(all amounts are in Canadian dollars)

16 Employee benefits

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

	2015			2014
	On-street $	**Off-street $**	**Total $**	**Total $**
Salaries and wages	2,030,515	10,623,266	12,653,781	12,446,435
Benefits expense	259,684	2,508,145	2,767,829	2,503,956
OMERS pension plan contributions	210,033	951,008	1,161,041	1,059,908
Canada Pension Plan premiums	54,213	457,462	511,675	518,650
	2,554,445	14,539,881	17,094,326	16,528,949

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

	2015 $	2014 $
Salary, wages and honorarium	5,005,778	4,168,262
Benefits expense	653,875	642,240
OMERS pension plan contributions	662,738	501,228
Canada Pension Plan premiums	143,419	141,318
	6,465,810	5,453,048

17 Income earned on financial instruments and other income

These amounts consist of the following:

	2015 $	2014 $
Interest earned on cash balances	788,092	439,568
Interest earned on investments (note 7)	970,521	1,713,179
Realized gain (loss) on sale of investments (note 7)	(67,180)	792,790
Investment income from held-for-trading financial assets	1,691,433	2,945,537
Unrealized gain on investments - net (note 7)	35,424	65,500
Interest earned - finance lease (loans and receivables) (note 9)	689,713	691,065
	2,416,570	3,702,102
Other income		
Gain on sale of property and equipment (note 10(b)(iii))	107,326,522	-
Miscellaneous other income	1,460,154	1,563,932
	108,786,676	1,563,932
	111,203,246	5,266,034

(all amounts are in Canadian dollars)

18 Operating leases

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:

	2015 $	2014 $
Not more than 1 year	447,180	859,109
1 year but not more than 5 years	1,150,893	2,345,141
Over 5 years	851,667	1,023,311
	2,449,740	4,227,561

These operating leases do not provide for contingent rental payments.

19 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 2013 to 2015 period. Under this renewal, the Authority makes an annual payment to the City equal to the greater of $37,000,000 or 75% of the net income and comprehensive income earned by the Authority during the year. The share of gains/losses on the sale of properties or air rights payable to the City may be adjusted, if necessary, by the cost of replacement facilities required under the related purchase/sale agreement that exceeds the 25% portion retained by the Authority.

One-time payments to the City

From time to time, the Authority will make a special distribution 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 net income and 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 some projects, the cost of the underground parking has exceeded the 25% portion of the gain on the sale the Authority retains to fund its purchase.

(all amounts are in Canadian dollars)

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 net income and comprehensive income and any one-time special distribution, 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.

20 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 that can be accessed at the measurement date. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.
- 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 comprise Canadian government and corporate bonds, was 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.

Measurement categories

As explained in note 4, financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income and comprehensive income. Those categories that are applicable to the Authority are loans and receivables, held-for-trading and financial liabilities at amortized cost. The following table shows the carrying amounts of financial assets and financial liabilities for each of these categories:

(all amounts are in Canadian dollars)

	2015 $	2014 $
Financial assets		
Loans and receivables		
Cash	144,220,618	61,727,973
Restricted cash	4,936,407	-
Accounts receivable	1,191,429	858,507
Finance lease receivable - including current portion	7,607,191	7,565,528
Held-for-trading		
Investments	41,985,516	59,089,900
Total	199,941,161	129,241,908
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	10,576,584	6,540,646
Due to related parties	74,355,442	5,757,749
Due to other parties	4,936,407	-
Debt payable	5,494,585	5,930,176
Total	95,363,818	18,228,571

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 comprises 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.

(all amounts are in Canadian dollars)

The investment portfolio primarily consists of fixed interest securities. The investment portfolio's sensitivity to interest rate changes is such that a 1% increase or decrease in interest rates would result in a 3.375% increase or decrease in the fair value of the portfolio.

- 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).

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.

Credit limits during the reporting period may be exceeded in circumstances when management believes the risk of non-payment is low. Management does not expect any losses from non-performance by these counterparties. The allowance for doubtful accounts has been recorded and evaluated on an annual basis.

	Less than 30 days $	31 - 60 days $	More than 60 days $
Past due not impaired			
Accounts receivable - 2015	30,543	5,672	106,974

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.

(all amounts are in Canadian dollars)

The following table is a maturity analysis of the Authority's financial liabilities:

					2015
	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	10,576,584	-	-	-	10,576,584
Due to related parties	74,355,442	-	-	-	74,355,442
Due to other parties	4,936,407				4,936,407
Debt payable, principal and interest	47,863	533,667	2,475,183	3,090,780	6,147,493
	89,916,296	533,667	2,475,183	3,090,780	96,015,926

Transfer of financial assets

Financial assets that have been transferred by the Authority have been derecognized in their entirety and the Authority does not have any continuing involvement in the derecognized financial assets.

21 Capital management

The Authority returns 75% of its annual net income and 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 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, 2015, the Authority has met its objective of having sufficient liquid resources to meet its current obligations and fund capital investment opportunities as they arise.

22 Commitments and contingent liabilities

Commitments

- Commitments to purchase property and equipment are disclosed in note 10(b).

- 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

(all amounts are in Canadian dollars)

annual payments by the Authority starting at $1,687,872 in 2015 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 2020 are estimated at $955,373.

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

	2015 $	2014 $
Payable in		
Not more than 1 year	3,367,464	3,422,158
1 year but not more than 5 years	3,064,507	5,911,612
Over 5 years	527,665	728,369
	6,959,636	10,062,139

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 $5,233,968 (2014 - $4,931,000).

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.

23 Statement of cash flows

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

	2015 $	2014 $
Accounts receivable	(332,922)	153,091
Supplies	111,690	4,380
Prepaid expenses	(2,379,435)	679,826
Accounts payable and accrued liabilities	4,035,938	21,047
Provisions	34,000	(44,570)
Deferred revenue	683,675	654,794
Due to related parties	189,656	2,152,179
	2,342,602	3,620,747

(all amounts are in Canadian dollars)

The distribution to the City was not fully paid before year-end (note 12(c).

24 Direct expenses - operating

	2015			2014
	On-street $	Off-street $	Total $	Total $
Salaries, wages and benefits (note 16)	2,554,445	14,539,881	17,094,326	16,528,949
Maintenance of facilities and equipment	2,069,166	4,153,740	6,222,906	5,520,378
Rent	-	7,019,431	7,019,431	6,713,223
Utilities	-	2,857,626	2,857,626	2,685,313
Pay and display network communications	2,200,390	244,633	2,445,023	2,383,742
Tickets	1,028,957	408,333	1,437,290	1,308,471
Credit card processing fees	634,946	1,339,961	1,974,907	1,784,877
Security and monitoring	205	1,443,814	1,444,019	1,248,949
Snow clearing	-	1,194,633	1,194,633	1,269,712
Insurance	73,275	889,260	962,535	1,058,954
Staff mileage	20,687	191,845	212,532	205,395
Telephone	5,542	279,457	284,999	266,585
Outside coin counting	88,306	34,523	122,829	124,208
Other	5,078	322,713	327,791	315,795
	8,680,997	34,919,850	43,600,847	41,414,551

25 Due to other parties

In 2015, the Authority entered into a ten-year agreement with Metrolinx to operate as part of the Bike Share Toronto Program in other municipalities in the Greater Toronto and Hamilton Area. In 2015, the Authority received $4.9 million from Metrolinx to purchase bicycles and docking stations of which 80% are to be fully deployed within the City of Toronto. Metrolinx will hold title to the equipment until five years after full deployment at which time title will be transferred to the Authority. The cash received is presented in the statement of financial position as restricted cash and the liability to Metrolinx in due to other parties.