Toronto Parking Authority

Financial Statements
December 31, 2017

June 26, 2018

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, 2017 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, 2017 and the results of its operations 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, 2017

(all dollar amounts are in thousands)

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents		44,963	78,677
Restricted cash		1,089	1,064
Investments	5	39,860	39,954
Accounts receivable		1,246	1,177
Prepaid expenses and other assets		1,006	1,515
		88,164	122,387
Finance lease receivable	6	5,981	5,981
Investment in garages and car parks	7	33,001	39,001
Property and equipment	7	204,127	160,730
		331,273	328,099
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		12,140	11,858
Deferred revenue		5,574	2,216
Due to related parties	8	4,934	14,174
Debt payable	9	512	485
		23,160	28,733
Debt payable	9	4,037	4,549
		27,197	33,282
Equity	10	304,076	294,817
		331,273	328,099
Commitments and contingent liabilities	18		

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, 2017

(all dollar amounts are in thousands)

	Note	2017 $	2016 $
Parking revenue	11	146,336	141,592
Operating	20	(48,196)	(47,643)
Administration		(12,253)	(10,635)
Municipal property tax		(22,182)	(22,333)
Amortization of property and equipment	7	(6,853)	(6,396)
Other income	13	3,230	4,769
Operating income		60,082	59,354
Income earned on financial instruments	13	1,585	370
Finance interest paid on debt	9	(111)	(122)
Finance income		1,474	248
Net income and comprehensive income for the year		61,556	59,602

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, 2017

(all dollar amounts are in thousands)

	Note	2017 $	2016 $
Balance - Beginning of year		294,817	287,972
Net income and comprehensive income for the year		61,556	59,602
		356,373	347,574
Special distribution to City of Toronto		-	(9,693)
Proceeds from sale of property paid directly to the City of Toronto		-	(2,839)
Land contribution from the City of Toronto		-	1,904
Annual distribution to City of Toronto	15	(52,297)	(42,129)
Balance - End of year		304,076	294,817

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

Toronto Parking Authority

Statement of Cash Flows

For the year ended December 31, 2017

(all dollar amounts are in thousands)

	Note	2017 $	2016 $
Cash flows from operating activities			
Net income and comprehensive income for the year		61,556	59,602
Add (deduct) non-cash items			
Amortization of property and equipment	7	6,853	6,396
Gain on sale of property and equipment		(927)	(3,057)
Net amount - interest/finance income and finance charges		(1,712)	(362)
Net unrealized loss on held-for-trading financial assets	13	119	57
		65,889	62,636
Net change in non-cash working capital balances related to operating activities	19	3,143	2,097
Net cash flow from operating activities		69,032	64,733
Cash flows from (used in) investing activities			
Interest received from held-for-trading financial assets	13	1,184	1,389
Payments received for finance lease	6	520	664
Proceeds from sale of property and equipment		1,010	1,574
Purchase of property and equipment	7	(44,333)	(21,934)
Net decrease in investments		94	2,031
Net cash flow used in investing activities		(41,525)	(16,276)
Cash flows used in financing activities			
Distributions to City of Toronto		(60,625)	(113,419)
Long-term debt to finance purchase of property and equipment			
Repayments	9	(485)	(460)
Finance charges paid on long-term debt	9	(111)	(122)
Net cash flow used in financing activities		(61,221)	(114,001)
Decrease in cash and cash equivalents during the year	2	(33,714)	(65,544)
Cash and cash equivalents - Beginning of year		78,677	144,221
Cash and cash equivalents - End of year	2	44,963	78,677
Non-cash transactions			
Transfer of investment in garages and car parks to property and equipment		6,000	(1,001)

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

(all dollar amounts are in thousands)

1 Nature of operations and relationship to the City of Toronto

Toronto Parking Authority (the Authority) is a local board of the City of Toronto (the City), established under the City of Toronto Act, 2006, with a mandate to operate, manage and maintain the City's public bike share program and municipal off-street parking facilities and on-street meter operations on behalf of the City in support of local business areas.

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 described in note 15.

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

2 Significant accounting policies

Statement of compliance

These financial statements of 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 for issuance by the Authority's Board of Directors on @@@.

Basis of preparation

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 the Chartered Professional Accountants of Canada Handbook - Accounting.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets to fair value as explained in the accounting policies below.

(all dollar amounts are in thousands)

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.

- **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 and cash equivalents	loans and receivables	amortized cost
Restricted cash	loans and receivables	amortized cost
Investments	held-for-trading	fair value through profit or loss
Accounts receivable	loans and receivables	amortized cost
Finance lease receivable	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 are recognized in profit or loss as an unrealized gain or loss.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits held on call with major financial institutions.

(all dollar amounts are in thousands)

- **Investments**

  Investments consist of fixed income corporate and government securities as prescribed in the financial activities regulation of the City of Toronto Act, 2006.

  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.

  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.

- **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. 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.

- **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. Changes to the amortized cost are included in profit or loss.

(all dollar amounts are in thousands)

- **Impairment of financial assets**

  As at each statement of financial position date, the Authority assesses whether the assets carried at amortized cost are impaired. When objective evidence of impairment is available, the impairment is recognized in the same period by bringing the value to a recoverable amount 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.

Property and equipment

- **Measurement basis**

  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 are 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 to 40 years
Surface car parks and other parking garage components	25 years
Buildings	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 of 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 are amortized over the shorter of the estimated useful life of the asset and the lease term.

(all dollar amounts are in thousands)

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.

- **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.

Revenue and other income recognition

Revenue is measured at the fair value of the consideration received or receivable, net of any discounts or rebates. Revenue includes parking fee revenue. Other income includes income from investment, rental and advertising activities. 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 income on a straight-line basis over the term of the lease;
- advertising income in accordance with the substance of the agreement, which may be recognized as the service is performed or on a straight-line basis over the term; and
- other income as the service is performed or as the Authority has a legal or constructive right to receive a future economic benefit.

Deferred revenue consists primarily of deposits for parking made through the GreenP app, which are to be earned and recognized in future periods.

(all dollar amounts are in thousands)

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.

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.

According to OMERS' 2017 annual report, the plan was in a deficit position of $5.4 billion at the end of 2017, a decrease from a deficit of $5.7 billion in 2016. OMERS is funding this deficit through a combination of contribution increases, temporary benefit calculation and investment strategy changes. The Authority's 2017 share of the deficit position is not determinable.

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).

(all dollar amounts are in thousands)

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 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.

(all dollar amounts are in thousands)

3 Standards issued but not yet effective

a) IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets effective for years beginning on or after January 1, 2018. The Authority has reviewed its financial assets and liabilities and is expecting the standard will not have any significant impact to the financial statements as the classification categories and measurement of financial assets and financial liabilities largely retain the existing standard's requirements. The Authority will continue to measure financial assets and liabilities at amortized cost. Held-for-trading investments will continue to be measured at fair value through profit or loss.

   The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Authority's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

b) 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 in exchange for those goods or services. This standard is effective for years beginning on or after January 1, 2018. The standard will not have any significant impact to the financial statements of the Authority as substantially all revenue is collected on a cash basis for non-contract short-term parking.

c) 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 statement of income and comprehensive income. 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 in the process of determining the impact of the standard on its financial statements.

4 Critical accounting judgments and estimates

In applying the Authority's accounting policies as described in note 2, 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.

(all dollar amounts are in thousands)

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.

- **Property and equipment**

  Management judgment is applied in determining amortization rates and useful lives of assets.

5 Investments

Investments are comprised of fixed income securities with a weighted average yield to maturity of 1.99% (2016 - 1.33%) and a weighted average duration of 1.36 years (2016 - 2.41 years). Investments include interest receivable of $140 (2016 - $115).

Investments reported in the statement of financial position at a fair value of $39,720 (2016 - $39,839), excluding interest receivable, have a cost of $39,896 (2016 - $39,896).

6 Finance lease receivable

The present value of the minimum lease payments receivable and the payments due are detailed in the following schedule:

Lease receivable - payments due	Gross investment in lease receivable $	Future finance income $	Present value of minimum lease payments $
Not more than 1 year	520	520	-
1 year but not more than 5 years	2,080	2,079	1
Over 5 years	39,003	33,023	5,980
	41,603	35,622	5,981

There is an estimated residual value of $4,856 recognized at the end of the 99-year term of the lease, at which time the Authority legally retains title to the land. Total contingent rent recognized as income during the year is $234 (2016 - $200)

(all dollar amounts are in thousands)

7 Property and equipment

	2017						2016
	Land and building $	Parking garages - concrete structures $	Parking garages - other components $	Surface car parks $	Equipment and furnishings $	Total $	Total $
Cost at January 1	85,399	44,452	59,623	24,793	66,628	280,895	257,964
Acquisitions	13,773	11,336	22,324	852	2,048	50,333	21,934
Contribution from the City	-	-	-	-	-	-	1,904
Disposals	-	-	-	(156)	(402)	(558)	(907)
Cost at December 31	99,172	55,788	81,947	25,489	68,274	330,670	280,895
Accumulated amortization at January 1	-	25,950	27,047	8,792	58,376	120,165	113,872
Amortization	-	1,053	2,014	947	2,839	6,853	6,396
Disposals	-	-	-	(73)	(402)	(475)	(103)
Accumulated amortization at December 31	-	27,003	29,061	9,666	60,813	126,543	120,165
Net book value at December 31	99,172	28,785	52,886	15,823	7,461	204,127	160,730

Title to all land purchased by the Authority is held in the name of the City but the Authority controls the property.

(all dollar amounts are in thousands)

Construction of a 150 space underground garage valued at $6,000 was completed in 2017, at which time it was transferred to property and equipment, reducing the investment in garages and car parks to $33,001 (2016 - $39,001). The remaining balance comprises two car parks that will be constructed in the future.

8 Related party transactions and balances

a) Related party transactions and balances

The Authority carries out transactions in the normal course of operations and on commercial terms with a number of departments and agencies of its ultimate parent, the City of Toronto.

During the year, the Authority received car park management fees and other revenue comprised of cost recoveries from related parties. The table below summarizes the transactions, receivable and payable balances:

	2017			2016		
	Management fees $	Rent expense $	(Payable) receivable $	Management fees $	Rent expense $	Payable $
Parent	-	2,320	(5,000)	-	2,450	(13,328)
Agencies and corporations of the Parent	541	593	66	481	307	(846)
	541	2,913	(4,934)	481	2,757	(14,174)

b) Reserve funds

The City holds the following reserve funds for use by the Authority in funding capital projects. These funds are administered by the City and are not included in the Authority's financial statements. Trust fund balances as at December 31 are as follows:

	2017 $	2016 $
Parking Authority Shopping Mall Rented Properties Reserve Fund	1,516	3,481
Parking Payment in Lieu Reserve Fund	2,461	1,768
Bike Share Reserve Fund	324	324
	4,301	5,573

c) 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 $1,923 (2016 - $1,400) and consists of salaries and short-term benefits.

(all dollar amounts are in thousands)

9 Debt payable

Debt payable relates to the purchase of equipment upgrades and is classified as long-term with $512 (2016 - $485) included in current liabilities. The debt matures June 30, 2025, and bears an effective interest rate of 2.298%. Interest paid during the year was $111 (2016 - $122).

The debt payable will be repaid as follows:

	$
2018	512
2019	539
2020	567
2021	597
2022	627
Thereafter	1,707
	4,549

10 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.

11 Parking revenue

Parking revenue is made up of the following components:

	2017			2016
	On-street $	Off-street $	Total $	Total $
Short-term parking	54,146	87,282	141,428	136,420
Monthly permit parking	-	4,908	4,908	5,172
	54,146	92,190	146,336	141,592

(all dollar amounts are in thousands)

12 Employee benefits

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

	2017			2016
	On-street $	Off-street $	Total $	Total $
Salaries and wages	1,991	11,132	13,123	13,187
Benefits	355	2,584	2,939	3,103
OMERS pension plan contributions	196	1,014	1,210	1,075
	2,542	14,730	17,272	17,365

The estimated 2018 employer's OMERS pension plan contribution is $2,000.

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

	2017 $	2016 $
Salaries and wages	6,378	5,928
Benefits	769	800
OMERS pension plan contributions	715	511
	7,862	7,239

13 Income earned on financial instruments and other income

These amounts consist of the following:

	2017 $	2016 $
Interest earned on cash balances	595	812
Interest earned on investments (note 5)	589	309
Realized gain on sale of investments (note 5)	-	268
Investment income from cash and held-for-trading financial assets	1,184	1,389
Unrealized loss on investments - net (note 5)	(119)	(57)
Interest earned and net effective change in lease receivable (note 6)	520	(962)
	1,585	370
Other income		
Gain on sale of property and equipment	927	3,057
Miscellaneous other income	2,303	1,712
	3,230	4,769
	4,815	5,139

(all dollar amounts are in thousands)

14 Operating leases

The Authority is the 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:

	2017 $	2016 $
Not more than 1 year	897	595
1 year but not more than 5 years	2,290	1,895
Over 5 years	1,973	1,940
	5,160	4,430

These operating leases do not provide for contingent rental payments.

15 City's share of net income

The City and the Authority's income-sharing arrangement, effective for the three-year period 2017 - 2019, requires the Authority to contribute 85% (2016 - 75%) of the Authority's net income and comprehensive income earned, with a minimum annual distribution payment to the City of $38,000 (2016 - $37,000). During fiscal 2017, a distribution of $52,297 (2016 - $51,822) was determined to be paid to the City.

16 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 was determined using quoted market prices in active markets under Level 1 of the hierarchy.

(all dollar amounts are in thousands)

Measurement categories

As explained in note 2, 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:

	2017 $	2016 $
Financial assets		
Loans and receivables		
Cash and cash equivalents	44,963	78,677
Restricted cash	1,089	1,064
Accounts receivable	1,246	1,177
Finance lease receivable - including current portion	5,981	5,981
Held-for-trading		
Investments	39,860	39,954
Total	93,139	126,853
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	12,140	11,858
Due to related parties	4,934	14,174
Debt payable (including current portion)	4,549	5,034
Total	21,623	31,066

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 investment grade 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.

(all dollar amounts are in thousands)

- 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.

- 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 has no material exposure to price 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 controls credit risk on its investments through its investment policy. Maximum credit risk exposure is equal to the total carrying amount of financial assets. 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. 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 following table is a maturity analysis of the Authority's financial liabilities:

	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	11,051	1,089	-	-	12,140
Due to related parties	4,934	-	-	-	4,934
Debt payable, principal	42	470	2,331	1,706	4,549
	16,027	1,559	2,331	1,706	21,623

(all dollar amounts are in thousands)

17 Capital management

The Authority returns 85% (2016 - 75%) of its annual net income and comprehensive income to the City and retains 15% 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 fixed income securities 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.

18 Commitments and contingent liabilities

Commitments

As at December 31, 2017, the Authority has contractual commitments of $35,450 (2016 - $70,182) with various private developers for the purchase of above grade and/or substrata title to parking structures as part of a development sale of above grade strata title to air rights over land on which the Authority currently operates parking lots.

Commitments under operating leases are as follows:

	2017 $	2016 $
Payable in		
Not more than 1 year	4,079	6,583
1 year but not more than 5 years	6,223	7,566
Over 5 years	2,666	3,609
	12,968	17,758

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.

(all dollar amounts are in thousands)

19 Statement of cash flows - net change in non-cash working capital balances related to operating activities

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

	2017 $	2016 $
Restricted cash	(25)	3,873
Accounts receivable	(69)	14
Prepaid expenses	509	1,867
Accounts payable and accrued liabilities	282	(3,890)
Deferred revenue	3,358	370
Due to related parties	(912)	(137)
	3,143	2,097

20 Direct expenses - operating

	2017			2016
	On-street $	Off-street $	Total $	Total $
Salaries, wages and benefits (note 12)	2,542	14,730	17,272	17,365
Maintenance of facilities and equipment	2,006	5,945	7,951	7,557
Rent	-	9,697	9,697	9,301
Utilities	5	2,558	2,563	3,232
Parking systems	2,952	641	3,593	3,867
Payment processing	1,617	2,021	3,638	2,383
Security and monitoring	-	1,761	1,761	1,801
Other	146	1,575	1,721	2,137
	9,268	38,928	48,196	47,643

21 Comparative figures

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