Toronto Parking Authority

Financial Statements
December 31, 2018

pwc

Independent auditor's report

To the Board of Directors of Toronto Parking Authority

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Toronto Parking Authority (the Authority) as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Authority's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of income and comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
June 5, 2019

Toronto Parking Authority

Statement of Financial Position

As at December 31, 2018

(all dollar amounts are in thousands)

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents		76,495	44,963
Restricted cash		-	1,089
Investments	6	19,814	39,860
Accounts receivable		2,137	1,246
Prepaid expenses and other assets		822	1,006
		99,268	88,164
Finance lease receivable	7	5,981	5,981
Investment in garages and car parks	8	33,001	33,001
Property and equipment	8	205,627	204,127
		343,877	331,273
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		11,683	12,140
Deferred revenue		7,802	5,574
Due to related parties	9	11,627	4,934
Debt payable	10	539	512
		31,651	23,160
Debt payable	10	3,499	4,037
		35,150	27,197
Equity	11	308,727	304,076
		343,877	331,273
Commitments and contingent liabilities	19		

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, 2018

(all dollar amounts are in thousands)

	Note	2018 $	2017 $
Parking revenue	12	150,528	146,336
Operating	21	(47,574)	(48,196)
Administration		(12,571)	(12,253)
Municipal property tax		(22,377)	(22,182)
Amortization of property and equipment	8	(6,605)	(6,853)
Other income	14	3,594	3,230
Operating income		64,995	60,082
Income earned on financial instruments	14	2,080	1,585
Finance interest paid on debt	10	(100)	(111)
Finance income		1,980	1,474
Net income and comprehensive income for the year		66,975	61,556

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, 2018

(all dollar amounts are in thousands)

	Note	2018 $	2017 $
Balance – Beginning of year		304,076	294,817
Net income and comprehensive income for the year		66,975	61,556
		371,051	356,373
Special distribution to City of Toronto	16	(5,420)	-
Proceeds from sale of property paid directly to the City of Toronto		(1,180)	-
Annual distribution to City of Toronto	16	(55,724)	(52,297)
Balance – End of year		308,727	304,076

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

Toronto Parking Authority

Statement of Cash Flows

For the year ended December 31, 2018

(all dollar amounts are in thousands)

	Note	2018 $	2017 $
Cash flows from operating activities			
Net income and comprehensive income for the year		66,975	61,556
Add (deduct) non-cash items			
Amortization of property and equipment	8	6,605	6,853
Gain on sale of property and equipment		(936)	(927)
Net realized gain on sale of investment		(7)	-
Interest/finance income and finance charges		(1,963)	(1,712)
Unrealized (gain) loss on investments	14	(9)	119
		70,665	65,889
Net change in non-cash working capital balances related to operating activities	20	2,167	3,143
Net cash flow from operating activities		72,832	69,032
Cash flows from (used in) investing activities			
Interest received from investments	14	1,551	1,184
Payments received for finance lease	7	520	520
Proceeds from sale of property and equipment		1,176	1,010
Purchase of property and equipment	8	(8,344)	(44,333)
Proceeds from sale of investments		20,055	94
Net cash flow from (used in) investing activities		14,958	(41,525)
Cash flows used in financing activities			
Distributions to City of Toronto		(55,646)	(60,625)
Long-term debt to finance purchase of property and equipment			
Repayments	10	(512)	(485)
Finance charges paid on long-term debt	10	(100)	(111)
Net cash flow used in financing activities		(56,258)	(61,221)
Increase (decrease) in cash and cash equivalents during the year		31,532	(33,714)
Cash and cash equivalents – Beginning of year		44,963	78,677
Cash and cash equivalents – End of year		76,495	44,963
Non-cash transactions			
Transfer of investment in garages and car parks to property and equipment		-	6,000

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 16.

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

The 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).

The financial statements were authorized for issuance by the Authority's Board of Directors on May 10, 2019.

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.

Government funding

The Authority receives government funding from the City of Toronto and other levels of government or government agencies with respect to the City's public bike share program, for capital asset acquisitions and operating deficits. Government funding related to assets is recognized as a deduction of the carrying amount of the assets, and government funding related to operations is recognized as a deduction of the related expenses.

(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 business model for managing financial instruments and their contractual cash flow characteristics. The Authority's accounting policy for measurement of each category is as follows:

Financial instrument	Category	Subsequent measurement
Cash and cash equivalents	amortized cost	amortized cost
Restricted cash	amortized cost	amortized cost
Investments	fair value through profit or loss	fair value through profit or loss
Accounts receivable	amortized cost	amortized cost
Finance lease receivable	amortized cost	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 fair value through profit or loss 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 fair value through profit or loss as they are held within a business model whose objective is not to collect the contractual cash flows and the cash flows are not solely payments of principal and interest.

  Investment income includes interest and realized and unrealized gains or losses on investments. Investment income is classified under profit or loss and is recorded as finance 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 loss allowance for expected credit loss, which involves annual testing to assess and estimate uncollectible amounts. Measurement of an expected credit loss is based on various scenarios weighted by the probability of that default occurring. 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. An impairment equal to the expected credit loss, which is based on various scenarios weighted by the probability of that default occurring, is recognized 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. The 12-month expected loss is recognized, unless there is a significant increase in credit risk of the financial assets, by when the lifetime expected loss is recognized. 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.

(all dollar amounts are in thousands)

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.

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 the Authority is entitled to, net of any discounts or rebates. Revenue includes parking fee revenue. Other income includes income from investment, management fees, 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;
- management fee as the management service is provided to the property owner;
- 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.

(all dollar amounts are in thousands)

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

Multi-employer pension plan

The Authority makes contributions to Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer 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' 2018 annual report, the plan was in a deficit position of $4.2 billion at the end of 2018, a decrease from a deficit of $5.4 billion in 2017. OMERS is funding this deficit through a combination of contribution increases, temporary benefit calculation and investment strategy changes. The Authority's 2018 share of the deficit position is not determinable.

Leases

- **Finance leases**

  Assets leased under arrangements that transfer substantially all the risks and rewards 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 finance 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, 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 rewards 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 a 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 Adoption of new accounting standards

a) The Authority adopted IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2018, with no significant impact on the carrying amounts of the Authority's financial instruments for the year ended December 31, 2018 and comparative periods. IFRS 9 replaces the classification and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. This classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. The adoption of IFRS 9 did not have a significant impact on the classification categories and measurement bases of financial instruments. Investments held for trading continue to be measured at fair value through profit or loss. Other financial assets and financial liabilities continue to be measured at amortized cost.

   The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. IFRS 9 requires factors that include historical, current and forward-looking information to be considered when measuring the ECL. The Authority uses the simplified approach for measuring losses based on the lifetime ECL for accounts receivable and finance lease receivable. Amounts considered uncollectible will be written off and recognized in administration costs in the statement of income and comprehensive income.

b) The Authority adopted IFRS 15, Revenue from Contracts with Customers (IFRS 15) effective January 1, 2018. IFRS 15 replaces 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. The standard has no significant impact on the financial statements of the Authority for the year ended December 31, 2018 and comparative periods, as substantially all revenue is collected on a cash basis for short-term parking.

4 Standard issued but not yet effective

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) amortization 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.

(all dollar amounts are in thousands)

IFRS 16 will increase the Authority's property and equipment and lease liabilities related to real estate properties the Authority leases principally for the purpose of parking facility operation. The Authority continues to make progress towards adoption of IFRS 16 according to a detailed implementation plan. The Authority will adopt IFRS 16 on January 1, 2019, using a modified retrospective approach, with no restatement required for comparative periods.

5 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.

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.

6 Investments

Investments are comprised of fixed income securities with a weighted average yield to maturity of 2.29% (2017 – 1.99%) and a weighted average duration of 1.67 years (2017 – 1.36 years). Investments include interest receivable of $91 (2017 – $140).

Investments reported in the statement of financial position at a fair value of $19,723 (2017 – $39,720), excluding interest receivable, have a cost of $19,853 (2017 – $39,896).

(all dollar amounts are in thousands)

7 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	38,483	32,503	5,980
	41,083	35,102	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 $429 (2017 – $234).

(all dollar amounts are in thousands)

8 Property and equipment

						2018	2017
	Land and building $	Parking garages – concrete structures $	Parking garages – other components $	Surface car parks $	Equipment and furnishings $	Total $	Total $
Cost at January 1	99,172	55,788	81,947	25,489	68,274	330,670	280,895
Acquisitions	14	-	2,915	1,487	9,136	13,552	54,057
Capital funding for Bike Share (Note 22)	-	-	-	-	(5,208)	(5,208)	(3,724)
Disposals	-	-	-	(258)	(1,039)	(1,297)	(558)
Cost at December 31	99,186	55,788	84,862	26,718	71,163	337,717	330,670
Accumulated amortization at January 1	-	27,003	29,061	9,666	60,813	126,543	120,165
Amortization	59	446	2,909	970	2,221	6,605	6,853
Disposals	-	-	-	(96)	(962)	(1,058)	(475)
Accumulated amortization at December 31	59	27,449	31,970	10,540	62,072	132,090	126,543
Net book value at December 31	99,127	28,339	52,892	16,178	9,091	205,627	204,127

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

Investment in garages and car parks comprises two car parks that will be constructed in the future.

(all dollar amounts are in thousands)

9 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.

The City funded the operating deficit for the bike share program in the amount of $2,585 (2017 – $2,148).

During the year, the Authority paid rent expenses, received car park management fees and government funding from related parties. The table below summarizes the transactions, receivable and payable balances:

	2018			2017		
	Management fees $	Rent expense $	(Payable) Receivable $	Management fees $	Rent expense $	(Payable) Receivable $
Parent	-	3,071	(11,679)	-	2,320	(5,000)
Agencies and corporations of the Parent	574	507	52	541	593	66
	574	3,578	(11,627)	541	2,913	(4,934)

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:

	2018 $	2017 $
Parking Authority Shopping Mall Rented Properties Reserve Fund	1,537	1,516
Parking Payment in Lieu Reserve Fund	2,490	2,461
Bike Share Reserve Fund	324	324
	4,351	4,301

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 $2,079 (2017 – $1,923) and consists of salaries and short-term benefits.

(all dollar amounts are in thousands)

10 Debt payable

Debt payable relates to the purchase of equipment upgrades and is classified as long-term with $539 (2017 – $512) included in current liabilities. The debt matures on June 30, 2025, and bears an effective interest rate of 2.298%. Interest paid during the year was $100 (2017 – $111).

The debt payable will be repaid as follows:

	$
2019	539
2020	567
2021	597
2022	627
2023	659
Thereafter	1,049
	4,038

11 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.

12 Parking revenue

Parking revenue is made up of the following components:

			2018	2017
	On-street $	Off-street $	Total $	Total $
Short-term parking	58,565	87,380	145,945	141,428
Monthly permit parking	-	4,583	4,583	4,908
	58,565	91,963	150,528	146,336

(all dollar amounts are in thousands)

13 Employee benefits

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

			2018	2017
	On-street $	Off-street $	Total $	Total $
Salaries and wages	2,050	11,372	13,422	13,123
Benefits	408	2,887	3,295	2,939
OMERS pension plan contributions	197	1,077	1,274	1,210
	2,655	15,336	17,991	17,272

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

	2018 $	2017 $
Salaries and wages	7,067	6,378
Benefits	843	769
OMERS pension plan contributions	620	715
	8,530	7,862

The estimated 2019 employer's OMERS pension plan contribution is $2,000.

14 Income earned on financial instruments and other income

These amounts consist of the following:

	2018 $	2017 $
Interest earned on cash balances	1,173	595
Interest earned on investments (note 6)	371	589
Realized gain on sale of investments (note 6)	7	-
Investment income from cash and investments	1,551	1,184
Unrealized gain (loss) on investments – net (note 6)	9	(119)
Interest earned and net effective change in lease receivable (note 7)	520	520
	2,080	1,585
Other income		
Gain on sale of property and equipment	936	927
Miscellaneous other income	2,658	2,303
	3,594	3,230
	5,674	4,815

(all dollar amounts are in thousands)

15 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:

	2018 $	2017 $
Not more than 1 year	777	897
1 year but not more than 5 years	2,029	2,290
Over 5 years	789	1,973
	3,595	5,160

These operating leases do not provide for contingent rental payments.

16 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% (2017 – 85%) of the Authority's net income and comprehensive income earned, with a minimum annual distribution payment to the City of $38,000 (2017 – $38,000). During fiscal 2018, distribution from standard operations of $55,724 (2017 – $52,297) was determined to be payable to the City. An additional one-time special dividend of $5,420 (2017 – $nil) was payable; proceeds from the sale of property of $1,180 (2017 – $nil) was also paid directly to the City.

17 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 profit or loss, or comprehensive income. Those categories that are applicable to the Authority are amortized cost measurement category and fair value through profit or loss measurement category. The following table shows the carrying amounts of financial assets and financial liabilities for each of these categories:

	2018 $	2017 $
Financial assets		
Amortized cost		
Cash and cash equivalents	76,493	44,963
Restricted cash	-	1,089
Accounts receivable	2,137	1,246
Finance lease receivable – including current portion	5,981	5,981
Fair value through profit or loss		
Investments	19,814	39,860
Total	104,425	93,139
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	11,683	12,140
Due to related parties	11,627	4,934
Debt payable (including current portion)	4,038	4,549
Total	27,348	21,623

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	11,683	-	-	-	11,683
Due to related parties	11,627	-	-	-	11,627
Debt payable, principal	44	495	2,450	1,049	4,038
	23,354	495	2,450	1,049	27,348

(all dollar amounts are in thousands)

18 Capital management

The Authority returns 85% (2017 – 85%) 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.

19 Commitments and contingent liabilities

Commitments

As at December 31, 2018, the Authority has contractual commitments of $32,100 (2017 – $35,450) 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:

	2018 $	2017 $
Payable in		
Not more than 1 year	3,990	4,079
1 year but not more than 5 years	4,850	6,223
Over 5 years	4,138	2,666
	12,978	12,968

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 are 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)

20 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:

	2018 $	2017 $
Restricted cash	1,089	(25)
Accounts receivable	(891)	(69)
Prepaid expenses	184	509
Accounts payable and accrued liabilities	(457)	282
Deferred revenue	2,228	3,358
Due to related parties	14	(912)
	2,167	3,143

21 Direct expenses – operating

			2018	2017
	On-street $	Off-street $	Total $	Total $
Salaries, wages and benefits (note 13)	2,655	15,336	17,991	17,272
Maintenance of facilities and equipment	1,895	3,882	5,777	7,951
Rent	-	9,703	9,703	9,697
Utilities	6	2,858	2,864	2,563
Parking systems	2,666	557	3,223	3,593
Payment processing	2,074	2,151	4,225	3,638
Security and monitoring	-	1,876	1,876	1,761
Other	124	1,791	1,915	1,721
	9,420	38,154	47,574	48,196

22 Government funding for Bike Share

Capital funding for the year ended December 31 is as follows:

	2018 $	2017 $
Metrolinx	977	-
Public Transit Infrastructure Fund	2,093	1,862
Public Realm Reserve Fund	2,000	-
TPA Capital Expenditure Reserve Fund	138	1,862
	5,208	3,724

Public Realm Reserve Fund and TPA Capital Expenditure Reserve Fund are contributions from the City of Toronto. Public Transit Infrastructure Fund is contributed by the Federal government and flows through the City.

(all dollar amounts are in thousands)

23 Comparative figures

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