



Financial Statements

**Calgary Parking Authority**

December 31, 2018



## Independent Auditor's Report

To the Members of the Audit Committee and the Calgary Parking Committee of  
Calgary Parking Authority

### Opinion

We have audited the financial statements of Calgary Parking Authority ("the Authority"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, remeasurement gains and losses, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2018, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 PSAS, 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.

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 GAAS 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 GAAS, we exercise professional judgement 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.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
April 12, 2019

## CALGARY PARKING AUTHORITY

### STATEMENT OF FINANCIAL POSITION

As at

	December 31, 2018	December 31, 2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (note 2)	17,208,882	58,353,299
Receivables (note 3)	3,804,482	3,795,905
Loan receivables (note 15)	8,207,664	-
Investments (note 4)	152,328,955	110,356,283
	<b>181,549,983</b>	<b>172,505,487</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	4,220,562	8,182,092
Accrued interest payable	2,837	3,880
Customer deposits (note 7)	4,206,057	3,609,467
Capital deposits (note 8)	7,798,536	15,686,020
Employee benefit obligations (note 9)	1,542,098	1,451,068
Long-term debt (note 10)	1,323,315	1,809,581
	<b>19,093,405</b>	<b>30,742,108</b>
<b>NET FINANCIAL ASSETS</b>	<b>162,456,578</b>	<b>141,763,379</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 11)	125,094,336	126,634,916
Prepaid	284,286	121,252
Prepaid lease (note 12)	1,022,214	1,039,992
	<b>126,400,836</b>	<b>127,796,160</b>
<b>ACCUMULATED SURPLUS (note 13)</b>	<b>288,857,414</b>	<b>269,559,539</b>

Commitments (note 17)

See accompanying notes to the financial statements.

## CALGARY PARKING AUTHORITY

### STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31

	Budget 2018 (note 1k)	Actual 2018	Actual 2017
<b>REVENUE</b>			
Parking and sales revenue	64,482,000	60,652,177	61,280,591
Fines and penalties	19,928,000	19,323,999	18,371,630
Permits and fees	1,154,000	1,423,172	1,330,859
Marketing and other revenue	1,490,000	939,865	976,946
Investment income	3,256,000	4,594,891	4,292,024
Gain/(loss) on disposition of tangible capital assets	8,000	103,250	(66,883)
Rental income and recoveries	319,000	251,699	519,483
<b>Total revenue</b>	<b>90,637,000</b>	<b>87,289,053</b>	<b>86,704,650</b>
<b>EXPENSES</b>			
Salaries, wages, and benefits	22,859,000	20,546,635	21,817,188
Business, communication and contracted services	10,713,000	10,734,015	10,189,295
Property and business taxes	7,458,000	5,218,472	6,998,137
Materials, equipment and supplies	5,142,000	3,649,320	6,608,933
Rental expense (note 15b)	2,775,000	3,259,119	3,664,039
Utilities	2,079,000	1,553,267	1,826,620
Interest and bank fees	1,251,000	1,298,423	1,289,402
Amortization (note 11)	8,641,000	6,117,095	7,048,651
<b>Total expenses</b>	<b>60,918,000</b>	<b>52,376,346</b>	<b>59,442,265</b>
<b>Excess of revenues over expenses before other</b>	<b>29,719,000</b>	<b>34,912,707</b>	<b>27,262,385</b>
<b>OTHER</b>			
Developer contributions (note 8)	-	8,207,664	-
Unrealized (loss) on investments	-	(862,542)	(148,534)
Impairment loss (note 11)	-	(2,155,115)	-
Distribution to the City of Calgary (note 15)	(18,509,000)	(20,804,839)	(16,545,685)
<b>Annual Surplus</b>	<b>11,210,000</b>	<b>19,297,875</b>	<b>10,568,166</b>
<b>ACCUMULATED SURPLUS, Beginning of year</b>	<b>269,559,539</b>	<b>269,559,539</b>	<b>258,991,373</b>
<b>ACCUMULATED SURPLUS, End of year</b>	<b>280,769,539</b>	<b>288,857,414</b>	<b>269,559,539</b>

See accompanying notes to the financial statements.

## CALGARY PARKING AUTHORITY

### STATEMENT OF CASH FLOWS

For the year ended December 31

	2018	2017
<b>NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS:</b>		
<b>OPERATING ACTIVITIES</b>		
Annual Surplus	19,297,875	10,568,166
Deduct items not affecting cash:		
Unrealized loss/(gain) on investment	862,542	148,534
Distribution to the City of Calgary (note 15)	20,804,839	16,545,685
Amortization	6,117,095	7,048,651
Gain/(loss) on sale of tangible capital assets	(103,250)	66,883
Impairment loss (note 11)	2,155,115	
Change in non-cash items:		
Receivables	(8,577)	1,358,681
Accounts payable and accrued liabilities	(3,961,530)	2,843,194
Accrued interest payable	(1,043)	(994)
Customer deposits	596,590	399,888
Employee benefit obligations	91,030	564,305
Prepaid	(163,034)	49,504
Prepaid lease	17,778	17,778
	<b>45,705,430</b>	<b>39,610,275</b>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets (note 11)	(6,777,413)	(8,748,406)
Proceeds from disposal of tangible capital assets	149,033	61,050
	<b>(6,628,380)</b>	<b>(8,687,356)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment (note 4)	(51,042,878)	(6,052,057)
Interest earned on capital deposits (note 8)	320,180	588,057
	<b>(50,722,698)</b>	<b>(5,464,000)</b>
<b>FINANCING ACTIVITIES</b>		
Distribution to the City of Calgary (note 15)	(20,804,839)	(16,545,685)
Long-term debt repaid (note 10)	(486,266)	(463,386)
Loan receivable (note 15)	(8,207,664)	-
	<b>(29,498,769)</b>	<b>(17,009,071)</b>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(41,144,417)</b>	<b>8,449,848</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<b>58,353,299</b>	<b>49,903,451</b>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<b>17,208,882</b>	<b>58,353,299</b>

See accompanying notes to the financial statements.

## CALGARY PARKING AUTHORITY

### STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31

	Budget 2018 (note 1k)	Actual 2018	Actual 2017
<b>ANNUAL SURPLUS</b>	11,210,000	19,297,875	10,568,166
Acquisition of tangible capital assets	-	(6,777,413)	(8,748,406)
Amortization of tangible capital assets	2,775,000	6,117,095	7,048,651
Proceeds on sale of tangible capital assets	-	149,033	61,050
Net loss on disposal of tangible capital assets	-	2,051,865	66,883
Acquisition of prepaid assets and prepaid lease	-	(258,814)	(54,123)
Use of prepaid assets and prepaid lease	-	113,558	121,405
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>13,985,000</b>	<b>20,693,199</b>	<b>9,063,626</b>
<b>NET FINANCIAL ASSETS, Beginning of year</b>	<b>141,763,379</b>	<b>141,763,379</b>	<b>132,699,753</b>
<b>NET FINANCIAL ASSETS, End of year</b>	<b>155,748,379</b>	<b>162,456,578</b>	<b>141,763,379</b>

See accompanying notes to the financial statements.

**CALGARY PARKING AUTHORITY****STATEMENT OF REMEASUREMENT GAINS AND LOSSES***For the year ended December 31*

	2018	2017
<b>ACCUMULATIVE REMEASUREMENT GAIN, Beginning of year</b>	<b>1,189,094</b>	<b>1,337,628</b>
Unrealized (losses) / gain attributable to:		
Parking structure replacement fund (note 4)	(808,036)	(123,554)
Capital deposits (note 4)	(154,170)	(24,980)
Long term investment fund (note 4)	99,664	-
<b>Net remeasurement (losses) for the year</b>	<b>(862,542)</b>	<b>(148,534)</b>
<b>ACCUMULATIVE REMEASUREMENT GAIN, End of year</b>	<b>326,552</b>	<b>1,189,094</b>

See accompanying notes to the financial statements.



## **CALGARY PARKING AUTHORITY**

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Calgary Parking Authority (the "Authority") was established under By-Law No. 7343 of The City of Calgary (the "City") to investigate requirements for the parking of motor vehicles within Calgary, to arrange for provision of publicly owned parking facilities, to encourage construction of privately owned parking facilities, to operate and manage the parking facilities owned by the City and to report to and advise City Council on all matters related to or concerned with the parking of motor vehicles in Calgary. The Authority is responsible for parking enforcement. Distribution of net income is transferred to the City on a monthly basis (Note 15). The Authority is a municipal authority and as such is not subject to income tax.

The Authority is also responsible for the management of the Municipal Vehicle Impound Lot; revenue and expenditures of this operation are included in the Authority's financial statements.

The Authority also markets the ParkPlus System to other organizations and municipalities.

### **1. SIGNIFICANT ACCOUNTING POLICIES**

Under Canadian Public Sector Accounting Standards ("PSAS"), introduction to public sector accounting standards, the Authority meets the criteria of a government component and as such, the financial statements for the year ended December 31, 2018 have been prepared in accordance with PSAS.

#### **a) Basis of Accounting**

##### **i) Basis of measurement**

These financial statements were prepared on a going concern basis, under the historical cost convention except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

##### **ii) Revenue recognition**

Revenues consist of the parking revenues from owned and leased locations, sales and fees from the impound lot, and fines and penalties from parking control. Revenues from parking revenues are recognized as revenue when parking transactions relating to the revenue occur and the funds have been received or are receivable and collection is reasonably assured. Revenue from fines, penalties and the impound lot are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenues, including permit fees and sales and marketing revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured

#### **b) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and cash held with the City which include cash on deposit, treasury bills and Guaranteed Investment Certificates ("GICs") with original maturities of 90 days or less at the date of acquisition and are recorded at cost.

#### **c) Investments**

The Authority has three investments, representing the funds from the Parking Structure Replacement Fund (Notes 4 and 5), the Capital Deposits (Notes 4 and 7) and Long term Investment Fund (Notes 4). All three funds, the Parking Structure Replacement Fund, Capital Deposits and the Long Term Investment Fund are invested by the City, consisting of long term bonds.

Investments are recorded at the fair value and changes therein are recorded as unrealized gains and losses in the statement of remeasurement gains and losses. When an investment is derecognized, the accumulated remeasurement gain or loss is reclassified to the statement of operations and accumulated surplus as a profit or loss.

#### **d) Financial instruments**

## CALGARY PARKING AUTHORITY

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The Authority's financial instruments include cash and cash equivalents, receivables, investments, accounts payable and accrued liabilities, accrued interest payable, long-term debt and employee benefits payable.

Financial instruments are recognized when the Authority becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership. Financial instruments are reviewed at each reporting date for potential impairment.

Investments quoted in an active market are recorded at fair value. All other financial assets and liabilities are recorded at cost or amortized cost and the associated transaction costs are added to the carrying value of items in the cost or amortized cost upon initial recognition. The gain or loss arising from derecognition of a financial instrument is recognized in the statement of operations and accumulated surplus. Impairment losses such as write-downs or write-offs are reported in the statement of operations and accumulated surplus.

The Authority has classified the financial assets and liabilities as follows:

### ***Fair value***

Fair value represents the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash and cash equivalents is classified as Level 1 as the carrying value equals the fair value. The Authority does not have any hedges or derivative instruments. Classification of the Authority's other financial instruments and fair value measurements within the fair value hierarchy are disclosed in Notes 4 and 5. There have been no changes in valuation techniques for any of the Authority's fair value measurements during the year.

### **e) Customer Deposits**

Customer deposits include those payments prepaid by cellular phone account holders and prepaid monthly parking contract customers. Cellular phone account funds are received as deposits for future use in parking. The usage is recorded as revenue and any remaining balances are refundable to the customers if they choose to close their accounts.

### **f) Capital Deposits**

Capital deposits represent amounts received from third parties for specified capital projects. Deposits must be expended on projects for which they are designated, and are recognized as revenue when expenditures are made.

### **g) Employee Benefit Obligations**

The Authority participates in a multi-employer plan classified as a defined benefit plan. However, based on the evaluation of the available information, the Authority is not required to account for the plan in accordance with the defined benefit accounting principles.

When sufficient information is not available to use defined benefit accounting for a multi-employer benefit plan, the plan is accounted for as if it were a defined contribution plan. Accordingly, the contributions payable during the period are recognized as an expense in the statement of operations and accumulated surplus. Any accrued contributions payable are recorded as a liability while prepaid contributions are recorded as a prepaid expense.

## CALGARY PARKING AUTHORITY

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Adjustments arising from actuarial experience gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service period of the active employee group. Adjustments arising from prior service costs related to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs.

### **h) Non-financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the Change in Net Financial Assets for the year.

### **i) Accumulated Surplus/Deficit**

Accumulated surplus/deficit represents the Authority's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Authority has net resources (financial and non-financial) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

### **j) Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of these assets. Work in progress represents assets which are not available for use and therefore are not subject to amortization. Tangible capital assets are written down when there is permanent and measurable impairment in its tangible capital asset value and the tangible capital asset still exists.

The cost, less residual value, of tangible capital assets is amortized on a straight line basis over the estimated useful life as follows:

Lot improvements	5 – 25 years
Structure	3 – 50 years
Equipment and software	3 – 10 years
Vehicles	3 – 5 years

### **k) Budget**

The budget amounts presented throughout these financial statements are based on the operating and capital budgets, modified for assets capitalized on the Statement of Financial Position, approved by the Calgary Parking Committee (formerly the Board of Directors), and the City Council.

### **l) Use of Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Where estimation uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, accrued liabilities, employee benefit obligations, contingent liabilities and commitments are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

### **m) Accounting Standards adopted by the Authority for fiscal year 2018**

#### **i) Assets**

Assets ("PS 3210") provides guidance for applying the definition of assets and establishes general disclosure standards for assets. Disclosure information about the major categories of assets that are not

## **CALGARY PARKING AUTHORITY**

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recognized is required. When an asset is not recognized because a reasonable estimate cannot be made, the reason(s) for this should be disclosed. The Authority has assessed this standard and there was no impact on the financial statements.

### **ii) Contingent Assets**

Contingent Assets ("PS 3320") defines and establish disclosure standards for contingent assets. Recognition of contingent assets is not allowed, but contingent assets must be disclosed if the confirming event is likely to occur. The Authority has assessed this standard and there was no impact on the financial statements.

### **iii) Contractual Rights**

Contractual Rights ("PS 3380") defines and establishes disclosure standards on contractual rights. Disclosure of the nature, extent, and timing of any contractual rights is required. The Authority has assessed this standard and there was no impact on the financial statements.

### **iv) Related Party Transactions**

Related Party Transactions ("PS 2200") defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements. As a result of adopting PS 2200, the Authority has provided disclosure of related party transactions in note 15.

### **v) Inter-entity Transactions**

Inter-entity Transactions ("PS 3420") specifically addresses the reporting of transactions between entities controlled by the government's reporting entity from both a provider and recipient perspective. Disclosure of this information is required whether or not the transaction is given accounting recognition. As a result of adopting PS 3420, the Authority elected to measure those assets or liability transferred at nominal or no consideration at the carrying value. The Authority elected to not record those transactions related to unallocated costs.

### **n) Future Accounting Pronouncements**

The Authority continues to assess the impacts of the below standards.

#### **Standards effective for fiscal years beginning on or after April 1, 2018:**

### **vi) Restructuring Transactions**

Restructuring Transactions ("PS 3430") establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor. This standard is effective for fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

### **vii) Asset Retirement Obligations**

Asset retirement obligations ("PS 3280") provides guidance relating to obligations to retire tangible capital assets of a public sector entity that are predictable and unavoidable. This standard is effective for fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.

## CALGARY PARKING AUTHORITY

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### viii) Revenue

Revenue ( "PS 3400") provides guidance relating This section provides guidance on the recognition of revenue that distinguishes between revenue that arises from transactions that include performance obligations and from transactions that do not have performance obligations This standard is effective for fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

## 2. CASH AND CASH EQUIVALENTS

	<b>December 31, 2018</b>	December 31, 2017
	\$	\$
Cash	<b>202,834</b>	311,098
Cash held with the City	<b>17,006,048</b>	58,042,201
	<b>17,208,882</b>	58,353,299

Cash and cash equivalents consists of cash held by the City on the Authority's behalf in the amount of \$17,006,048 (2017 – \$58,042,201). The Authority utilizes this cash in its day-to-day operations.

## 3. RECEIVABLES

Receivables consist of:

	<b>December 31, 2018</b>	December 31, 2017
	\$	\$
Fines and penalties	<b>2,475,000</b>	2,442,000
Trade receivables	<b>830,475</b>	716,370
Impound lot	<b>499,007</b>	637,535
	<b>3,804,482</b>	3,795,905

## 4. INVESTMENTS

Investments are held for the following designated purposes:

	<b>December 31, 2018</b>	December 31, 2017
	\$	\$
Capital deposits (note 7)	<b>7,798,535</b>	15,686,020
Parking structure replacement fund (note 5)	<b>98,203,868</b>	93,481,169
Long term investment fund	<b>46,000,000</b>	-
Book value of investments	<b>152,002,403</b>	109,167,189
Accumulated remeasurement gains	<b>326,552</b>	1,189,094
Fair value of investments	<b>152,328,955</b>	110,356,283

The investments consist of long-term bonds with a market value of \$152,328,955 (December 31, 2017 – \$110,256,283). The average yield earned from investment during the year ended December 31, 2018, was 2.93% (2017 – 3.92%). These investments are classified at Level 2 in the fair value hierarchy. The investments are invested into a pool of long term bonds, where the return on investment is calculated as the average of the securities in the long term portfolio. The City treasury does not provide a rate of return for each individual bond, but provides a rate on the portfolio as a whole. This is the rate that the Authority collects on its portion of investments.

## CALGARY PARKING AUTHORITY

### a) Parking Structure Replacement Fund Hierarchy

The following table illustrates the classification of financial instruments at fair value on the statement of financial position within the fair value hierarchy:

Financial assets at fair value as at:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Bonds – December 31, 2018</b>	-	<b>98,414,051</b>	-	<b>98,414,051</b>
Bonds – December 31, 2017	-	94,499,388	-	94,499,388

The following table reconciles the Calgary Parking Authority Level 2 Parking Structure Replacement Fund fair value measurements as follows:

Fair value measurements using Level 2 inputs

	2018	2017
	\$	\$
Beginning balance at January 1	<b>94,499,388</b>	<b>89,158,942</b>
Fair value movement	<b>(808,036)</b>	<b>(123,554)</b>
Purchases	<b>4,722,699</b>	<b>5,464,000</b>
Ending balance at December 31	<b>98,414,051</b>	<b>94,499,388</b>

### b) Capital Deposit Hierarchy

The following table illustrates the classification of financial instruments at fair value on the balance sheet within the fair value hierarchy:

Financial assets at fair value as at:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Bonds – December 31, 2018</b>	-	<b>7,815,241</b>	-	<b>7,815,241</b>
Bonds – December 31, 2017	-	15,856,895	-	15,856,895

The following table reconciles the Calgary Parking Authority Level 2 capital deposit fair value measurements as follows:

Fair value measurements using Level 2 inputs

	2018	2017
	\$	\$
Beginning balance at January 1	<b>15,856,895</b>	15,293,818
Fair value movement	<b>(154,170)</b>	(24,980)
Purchases	<b>320,180</b>	588,057
Withdrawal	<b>(8,207,664)</b>	-
Ending balance at December 31	<b>7,815,241</b>	15,856,895

## CALGARY PARKING AUTHORITY

### c) Long Term Investment Fund Hierarchy

The following table illustrates the classification of financial instruments at fair value on the balance sheet within the fair value hierarchy:

Financial assets at fair value as at:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Bonds – December 31, 2018</b>	-	46,000,000	-	46,000,000
Bonds – December 31, 2017	-	-	-	-

The following table reconciles the Calgary Parking Authority Level 2 Capital Deposit fair value measurements as follows:

Fair value measurements using Level 2 inputs

	2018	2017
	\$	\$
Beginning balance at January 1	-	-
Fair value movement	99,664	-
Purchases	46,000,000	-
Ending balance at December 31	46,099,664	-

## 5. PARKING STRUCTURE REPLACEMENT FUND

In 1999, the Board of Directors of the Authority approved the creation of a parking structure replacement fund for the purpose of replacing parking structures, with an annual contribution of \$2,000,000 plus interest earned. The total balance of the fund has been invested by the City Treasury (Note 4).

	2018	2017
	\$	\$
Opening balance	93,481,169	88,017,169
Contribution, including interest	4,722,699	5,464,000
Closing balance, at cost	98,203,868	93,481,169

## 6. LONG TERM INVESTMENT FUND

In 2018, a new fund was created to for the purpose of improving the rate of return on cash balances exceeding amounts needed for operations. This fund is unrestricted and it will be used to finance future capital projects. The total balance of the fund has been invested by the City treasury (Note 4).

	2018	2017
	\$	\$
Opening balance	-	-
Contribution, including interest	46,000,000	-
Closing balance, at cost	46,000,000	-

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### 7. CUSTOMER DEPOSITS

	2018	2017
	\$	\$
Opening balance	3,609,467	3,209,579
New deposits received	12,846,965	11,868,965
Transfer to Revenue	(12,250,374)	(11,469,077)
Closing balance	4,206,058	3,609,467

The customer deposits include Parkplus cell phone account balances and monthly parker prepaid balances. These balances are refundable to the customers if they choose to close their accounts.

### 8. CAPITAL DEPOSITS

Capital Deposits consist of capital deposits paid by developers, in place of providing required parking stalls within an office/commercial development in downtown Calgary. Capital deposits are received by the City upon release of the Development Permit which is required to commence construction. Capital deposits are recorded by the Authority and are non-refundable once the development completion permit (when all requirements of occupancy are met) is issued. These deposits represent contributions for 581 (2017 – 581) stalls. This program was ended by the City Council and no new deposits have been received in 2018 and 2017. The total balance of the fund has been invested by the City treasury (Note 4).

	December 31,			December 31,
	2018			2017
	Principal	Interest	Total	Total
	\$	\$	\$	\$
Opening balance	13,510,591	2,175,429	15,686,020	15,097,963
Interest earned	-	320,180	320,180	588,057
Withdrawal	(5,975,213)	(2,232,451)	(8,207,664)	-
Closing balance	7,535,378	263,158	7,798,536	15,686,020

In 2018, the Authority withdrew \$8,207,664 (2017 - \$ Nil) to fund a new parkade project in downtown Calgary. Recognition of the developer contribution was recognized on the Statement of operations and accumulated surplus.

### 9. EMPLOYEE BENEFITS OBLIGATIONS

	2018	2017
	\$	\$
Post-retirement benefit obligation (b)	841,185	674,600
Vacation and other liabilities	700,913	776,468
	1,542,098	1,451,068

#### a) Multi-employer pension plan

The Local Authorities Pension Plan (“LAPP”) is a multi-employer defined benefit plan, sponsored by the Alberta Minister of Finance and administered by Alberta Pension Services (“APS”). Due to the multi-employer nature of this plan, information is not available to determine the portion of the plan’s obligations and assets attributable to each employer. Therefore, the Authority appropriately accounts for the plan using the method for defined contribution plans. The amount of expense recorded in the financial statements is equal to the Authority’s current service contributions to the plan as determined by APS for the year and no obligation is recorded in the Authority’s financial statements. However, given that this multi-employer plan is



## CALGARY PARKING AUTHORITY

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in a deficit position, an inherent unrecorded liability amount is attributable indirectly to plan participants. Plan deficiencies will need to be resolved by increased future employee and employer contributions, increased investment returns and interest rates, management or amendment of future liabilities, or a combination of these elements.

The Authority is required to make current service contributions to the LAPP of 10.39% (2017 – 11.39%) of pensionable payroll up to the yearly maximum pensionable earnings (“YMPE”) and 14.84% (2017 – 15.84%) thereafter. Employees of the Authority are required to make current service contributions of 9.39% (2017 – 10.39%) of pensionable salary up to YMPE, and 13.84% (2017 – 14.84%) thereafter. Contributions for current service are recorded as expenditures in the year in which they become due.

Total current service contributions by the Authority to the LAPP in 2018 were \$1,640,378 (2017 – \$1,785,153). Total current service contributions by the employees of the Authority to the LAPP in 2018 were \$1,494,404 (2017 – \$1,639,657).

The LAPP reported a surplus (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2017 of \$4,835,513,000 (2016 – (\$637,357,000)). More recent information was not available at the time of preparing these financial statements. The Authority’s 2018 contribution rates did not change as a result of this surplus.

### **b) Post-retirement benefits obligation includes:**

#### **i) Retiree Benefits Plan**

The Authority sponsors post-retirement benefits for extended health, dental and life insurance benefits to qualifying retirees and their surviving spouses from the date of retirement to the age of 65, when coverage under the Alberta Seniors Benefit Program begins. The Authority and the retirees share equally in the cost of benefits. Due to the joint nature of the plan and the cost sharing arrangement, the financial statements of the Authority reflect the Authority’s portion only of both the expense and the accrued benefit liability. This plan was introduced effective January 1, 2017.

#### **ii) Retirement Bonus Plan**

The Authority sponsors a non-contributory retiring allowance of up to 6 weeks of salary for qualifying retirees. The cost of these benefits is recognized as an expense as the employees provide service. This plan was introduced effective January 1, 2017.

Full actuarial valuations for post-retirement benefits were (and will be) performed as follows:

	Latest Full Actuarial Valuation Date	Next Full Actuarial Valuation Date
Retiree Benefits Plan	December 31, 2017	December 31, 2020
Retirement Bonus Plan	December 31, 2017	December 31, 2020

## CALGARY PARKING AUTHORITY

The results of, and significant assumptions utilized, in the December 31, 2018 and 2017 actuarial accounting valuations for post-retirement benefits include:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Accrued benefits obligation, beginning of year	674,600	-
Entitled current benefits obligation	-	567,989
Current period benefit cost	153,659	148,778
Interest on accrued benefit obligation	24,238	19,870
Benefits paid	(11,312)	(62,037)
Accrued benefit obligation, end of year	<u>841,185</u>	<u>674,600</u>
Current period benefit cost	153,659	148,778
Interest on accrued benefit obligation	24,238	19,870
Total expense	<u>177,897</u>	<u>168,648</u>
Rate of compensation average increase, (excluding merit and promotion)	0.00%	0.00%
Annual increase in extended health costs	5.00%	5.00%
Annual increase in dental costs	4.00%	4.00%
EARSL	11.8 years	11.8 years

### 10. LONG-TERM DEBT

The Authority obtained long-term, unsecured debenture financing through the City from the Alberta Capital Finance Authority on December 15, 2006. Debenture interest was \$81,370 (2017 – \$104,299). Debenture principal repayment was \$486,266 (2017 – \$463,386).

	<b>Rate (%)</b>	<b>Issued</b>	<b>Outstanding</b>
15 year term to June 15, 2021	4.8780	6,000,000	1,323,315
		<b>6,000,000</b>	<b>1,323,315</b>

Debenture repayments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
2019	510,276	58,404	568,680
2020	535,470	33,209	568,679
2021	277,569	6,766	284,335
	<b>1,323,315</b>	<b>98,379</b>	<b>1,421,694</b>

The fair value of these debentures is an estimate made at a specific point in time, determined by discounting the debentures future cash flows using investment rates from the Alberta Capital Finance Authority. These estimates are based on quoted market prices for the same or similar issues offered to the Authority for similar financial instruments and therefore, this measurement is classified as Level 2 in the fair value hierarchy.

	<b>Rate</b>	<b>Book Value</b>	<b>Fair Value</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>
<b>December 31, 2018</b>	<b>2.913</b>	<b>1,421,694</b>	<b>1,362,044</b>
December 31, 2017	2.718	1,990,373	1,887,114

## CALGARY PARKING AUTHORITY

### 11. TANGIBLE CAPITAL ASSETS

Tangible Capital Assets consists of:

<b>Cost</b>	<b>January 1, 2018</b>	<b>Transfer</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2018</b>
	\$	\$	\$	\$	\$
Land	32,816,387	-	42,183	-	32,858,570
Lot improvements	32,457,204	6,718,671	3,859,057	(191,702)	42,843,230
Structures	109,677,941	-	-	-	109,677,941
Equipment and software	24,689,217	-	1,340,569	(11,757,141)	14,272,465
Vehicles	2,265,320	-	391,408	(291,690)	2,365,038
Work in progress assets	7,102,423	(6,718,671)	1,144,196	(57,245)	1,470,703
	209,008,492	-	6,777,413	(12,297,778)	203,488,127

<b>Accumulated Amortization</b>	<b>January 1, 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2018</b>
	\$	\$	\$	\$
Lot improvements	14,217,434	1,934,750	(191,701)	15,960,483
Structures	49,087,229	2,193,559	-	51,280,788
Equipment and software	18,175,736	1,659,096	(9,670,917)	10,163,915
Vehicles	893,177	329,690	(234,262)	988,605
	82,373,576	6,117,095	(10,096,880)	78,393,791
<b>Net book value</b>	<b>126,634,916</b>	<b>660,318</b>	<b>(2,200,898)</b>	<b>125,094,336</b>

Disposal of tangible capital assets are as follows:

	2018			2017
	<b>Proceeds</b>	<b>Net Book Value</b>	<b>Gain/(Loss)</b>	<b>Gain/(Loss)</b>
	\$	\$	\$	\$
Disposition of TCA	<b>149,033</b>	<b>45,783</b>	<b>103,250</b>	(66,883)
Retired Assets	-	<b>1,189,110</b>	<b>(1,189,110)</b>	-
Impaired Assets	-	<b>966,005</b>	<b>(966,005)</b>	-
	<b>149,033</b>	<b>2,200,898</b>	<b>(2,051,865)</b>	(66,883)

During 2018, the Authority wrote off \$1,189,110 (2017 - \$ nil) of net book value related to retired equipment and software that are no longer in use. The Authority also assessed and recorded an impairment loss of \$966,005 (2017 - \$ nil) on software due to significant technological development.

## CALGARY PARKING AUTHORITY

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### 12. PREPAID LEASE

In 1977, the Authority commenced and prepaid a 99 year lease on the land site of City Centre Parkade. The prepaid lease payments are being amortized on a straight-line basis over the term of the lease. The future lease expense as at December 31, 2018 and 2017 are as follows:

	2018	2017
	\$	\$
Not later than one year	17,778	17,778
Later than one year and not later than five years	88,890	88,890
Later than five years	915,546	933,324
Total	<u>1,022,214</u>	<u>1,039,992</u>

### 13. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts as follows:

	2018	2017
	\$	\$
Operating fund	57,041,809	48,902,697
Accumulated remeasurement gain (note 4)	326,552	1,189,094
Capital deposit (note 8)	8,207,664	-
Parking structure replacement fund reserves (note5)	98,203,868	93,481,169
Equity in non-financial assets (note 14)	125,077,521	125,986,579
	<u>288,857,414</u>	<u>269,559,539</u>

### 14. EQUITY IN NON FINANCIAL ASSETS

Equity in non-financial assets consists of:

	2018	2017
	\$	\$
Tangible capital assets (note 11)	203,488,127	209,008,492
Accumulated amortization (note 11)	(78,393,791)	(92,373,576)
Long-term debt (note 10)	(1,323,315)	(1,809,581)
Prepaid expenses	1,306,500	1,161,244
	<u>125,077,521</u>	<u>125,986,579</u>

### 15. RELATED PARTY TRANSACTIONS

Distributions to the City were as follows:

	2018	2017
	\$	\$
Transfer to the City [a]	15,615,074	11,973,000
Net income from Parking Control	5,189,765	4,572,685
	<u>20,804,839</u>	<u>16,545,685</u>
Other contributions [b]	2,887,183	3,210,700
	<u>23,692,022</u>	<u>19,756,385</u>

## CALGARY PARKING AUTHORITY

- a) Bylaw 28M2002, "The Calgary Parking Authority Bylaw" sets forth the financing of operations. The Committee (formerly the Board of Directors), of the Authority in its regular meeting of September 25, 2008 approved continuation of the 65% return policy to the City. The Authority will return to the City 65% of its net income after any net income from Parking Control and after distribution of net income to managed locations as per contractual agreements. This return policy remains in effect for fiscal 2018.
- b) Other contributions include the transfer of net income pertaining to managed parking lots with the City and affiliated authorities as a result of parking management agreements. This amount is included in rent expense on the statement of operations and accumulated surplus.
- c) **Related Party Transactions:**

Related party transactions with the City departments and affiliated authorities in the normal course of business were as follows:

	2018 \$	2017 \$
Related party expenses	13,297,412	14,854,794
Related party revenue	2,486,779	2,945,598
Related party receivable as at December 31 (e)	8,207,664	-
Related party accounts payable as at December 31	464,344	974,301

Related party transactions that are undertaken on similar terms and conditions to those adopted if the Authority was dealing at arm's length are measured at the exchange amount. Transactions that are undertaken as a result of allocated costs and/or recoveries are measured at the exchange amount.

- d) **Transfer of Surface Lots to the City**

The Authority purchased a parcel of land from the City in 2018; the transaction was recorded at book value of \$42,183.

- e) **Loan Receivable**

In 2018, the Authority entered into a non-interest bearing loan arrangement with the Calgary Municipal Land Corporation ("CMLC") where the Authority lends to CMLC to fund the construction cost of a parkade. The loan receivable balance as of December 31, 2018 is \$8,207,664 (2017 – \$ Nil). This loan will be repaid upon completion of the parkade.

## 16. SEGMENTED INFORMATION

The Schedule of Financial Activity by Segment has been prepared in accordance with PSAS Handbook Section 2700 ("PS 2700") Segment Disclosures. The segments selected are to enable users to better understand the government reporting entity and the major revenue and expense activities of The Authority. For each reported segment, revenues and expenses represent amounts directly attributable to each segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget process as well as the quarterly reporting of budget status during the year. Segments include:

- a) **Administration** includes the items of revenue and expenses pertaining to operations of administrative departments of the Authority and those activities at corporate level.
- b) **Sales and Marketing** includes the items of revenue and expenses pertaining to the operation of parking sales and marketing of ParkPlus System to other organizations and municipalities.
- c) **Parking Facilities** includes the items of revenue, recoveries and expenses pertaining to the operation of parking facilities. The facilities managed by the Authority include:
- i) Parkades;

## CALGARY PARKING AUTHORITY

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- ii) Surface lots; and
  - iii) On-street parking.
- d) **Impound Lot** includes the items of revenue, recoveries and expenses pertaining to the municipal impound services.
- e) **Parking Control** includes the items of revenue, recoveries and expenses pertaining to the parking enforcement services.

## CALGARY PARKING AUTHORITY

### Schedule of Financial Activity by Segment: For the year ended: December 31, 2018:

	Total	Administration	Sales and Marketing	Parkades	Surface Lots	On-Street Parking	Impound Lot	Parking Control
<b>REVENUE</b>								
Parking and sales revenue	60,652,177	26,792	-	25,977,890	6,914,052	16,357,671	11,375,772	-
Fines and penalties	19,323,999	-	-	-	-	-	-	19,323,999
Permits and fees	1,423,172	292,613	-	-	-	-	1,130,559	-
Marketing and other revenue	939,865	-	939,865	-	-	-	-	-
Investment income	4,594,891	4,594,891	-	-	-	-	-	-
(Loss)/gain on sale of tangible capital assets	103,250	-	-	-	42,183	-	(6,251)	67,318
Rental income and recoveries	251,699	-	-	-	204,035	-	39,109	8,555
<b>Total revenue</b>	<b>87,289,053</b>	<b>4,914,296</b>	<b>939,865</b>	<b>25,977,890</b>	<b>7,160,270</b>	<b>16,357,671</b>	<b>12,539,189</b>	<b>19,399,872</b>
<b>EXPENSES</b>								
Salaries, wages, and benefits	20,652,635	3,349,154	1,147,701	1,744,095	681,900	895,621	3,178,502	9,655,662
Business, communication and contracted services	10,628,015	1,688,911	427,869	613,634	122,178	186,355	5,356,395	2,232,673
Property and business taxes	5,218,472	-	-	4,652,673	565,799	-	-	-
Materials, equipment and supplies	3,649,320	1,052,239	190,520	1,424,582	174,756	-	329,683	477,540
Rental expense (note 15)	3,259,119	187,972	-	1,051,629	2,009,418	-	10,100	-
Utilities	1,553,267	10,330	-	1,200,485	244,296	1,931	96,225	-
Interest and bank fees	1,298,423	82,392	66,308	322,871	116,740	423,178	127,511	159,423
Amortization (note 11)	6,117,095	633,576	118,138	3,778,143	220,323	237,957	357,655	771,303
<b>Total expenses</b>	<b>52,376,346</b>	<b>7,004,574</b>	<b>1,950,536</b>	<b>14,788,112</b>	<b>4,135,410</b>	<b>1,745,042</b>	<b>9,456,071</b>	<b>13,296,601</b>
<b>Excess / (deficiency) of revenues over expenses</b>	<b>34,912,707</b>	<b>(2,090,278)</b>	<b>(1,010,671)</b>	<b>11,189,778</b>	<b>3,024,860</b>	<b>14,612,629</b>	<b>3,083,118</b>	<b>6,103,271</b>
<b>OTHER</b>								
Developer contribution	8,207,664							
Unrealized loss	(862,542)							
Impairment loss	(2,155,115)							
Distribution to the City	(20,804,839)							
<b>Annual Surplus</b>	<b>19,297,875</b>							

## CALGARY PARKING AUTHORITY

### Schedule of Financial Activity by Segments: For the year ended: December 31, 2017:

	Total	Administration	Sales and Marketing	Parkades	Surface Lots	On-Street Parking	Impound Lot	Parking Control
<b>REVENUE</b>								
Parking and sales revenue	61,280,591	-	-	27,221,858	6,571,566	16,735,760	10,751,407	-
Fines and penalties	18,371,630	-	-	-	-	-	-	18,371,630
Permits and fees	1,330,859	206,079	-	-	-	-	1,124,780	-
Marketing and other revenue	976,946	-	976,946	-	-	-	-	-
Investment income	4,292,024	4,292,024	-	-	-	-	-	-
(Loss)/gain on sale of tangible capital assets	(66,883)	(80,190)	-	(27,594)	(5,872)	-	(2,177)	48,950
Rental income	519,483	34,144	-	-	417,753	-	1,006	66,580
<b>Total revenue</b>	<b>86,704,650</b>	<b>4,452,057</b>	<b>976,946</b>	<b>27,194,264</b>	<b>6,983,447</b>	<b>16,735,760</b>	<b>11,875,016</b>	<b>18,487,160</b>
<b>EXPENSES</b>								
Salaries, wages, and benefits	21,817,188	3,988,064	992,872	1,772,108	723,467	653,498	2,993,112	10,694,067
Business, communication and contracted services	10,189,295	2,104,952	206,020	512,845	111,708	318,941	5,481,092	1,453,737
Property and business taxes	6,998,137	-	-	4,937,544	2,060,593	-	-	-
Materials, equipment and supplies	6,608,933	1,028,559	27,944	1,460,920	374,551	2,445,329	403,797	867,833
Rental expense (note 15)	3,664,039	202,568	-	1,151,458	2,269,763	-	40,250	-
Utilities	1,826,620	7,392	-	1,524,186	171,263	1,919	121,860	-
Interest and bank fees	1,289,402	105,884	56,832	339,105	122,405	398,800	111,418	154,958
Amortization (note 11)	7,048,651	523,210	167,392	4,081,231	224,643	968,570	339,725	743,880
<b>Total expenses</b>	<b>59,442,265</b>	<b>7,960,629</b>	<b>1,451,060</b>	<b>15,779,397</b>	<b>6,058,393</b>	<b>4,787,057</b>	<b>9,491,254</b>	<b>13,914,475</b>
<b>Excess / (deficiency) of revenues over expenses</b>	<b>27,262,385</b>	<b>(3,508,572)</b>	<b>(474,114)</b>	<b>11,414,867</b>	<b>925,054</b>	<b>11,948,703</b>	<b>2,383,762</b>	<b>4,572,685</b>
<b>OTHER</b>								
Unrealized loss	(148,534)							
Distribution to the City	(16,545,685)							
<b>Annual surplus</b>	<b>10,568,166</b>							



## CALGARY PARKING AUTHORITY

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### 17. COMMITMENTS

- a) Capital commitments of \$55,830,144 (2017 – \$67,269,879) are not reflected in the financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2018, on major projects and estimated obligations under other various agreements. These capital commitments are included in future years' budgets and will be funded from the Authority's revenue and reserves.
- b) The Authority is exposed to fluctuations in electricity prices in the deregulated market of Alberta. On behalf of the Authority, the City has entered into an agreement to purchase the forecast amount of electricity required for operations. The agreement provides the commodity portion of electricity charges at an agreed annual rate for the term of the contract, which will expire on December 31, 2026. The delivery portion of electricity charges is regulated and set by the Alberta Utilities Commission, and is subject to change in the future.
- c) The Authority manages City-owned lots on behalf of the City to generate parking revenue and is committed to remitting a percentage of that revenue back to the City as per various negotiated agreements.
- d) The Authority entered into 2 operating leases, the minimum lease payments the Authority is committed to are outlined below:

	2018	2017
	\$	\$
Not later than one year	200,418	328,137
Later than one year and not later than five years	290,446	954,678
	<u>490,864</u>	<u>1,282,815</u>

### 18. FINANCIAL INSTRUMENTS AND RELATED RISKS

#### Risk management

For cash and cash equivalents, receivables, accounts payable and accrued liabilities, accrued interest payable and employee benefit obligations, the carrying amounts of these financial instruments approximate their fair value due to their short-term maturity.

The Authority is exposed to the following risks as a result of holding financial instruments:

#### i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Authority.

The Authority, in the normal course of business, is exposed to credit risk from its customers. This risk is insignificant as the majority of the revenue is on a cash basis (parking revenues) and recoveries for the impound lot and parking control operations are operated under the jurisdiction of the Province of Alberta, which has legislation and deterrents in place for unpaid fines. The Authority does not require an allowance for doubtful accounts due to the short-term collection period of its trade receivables. The credit risk on Cash held with the City is limited because the City is a large municipal body with sufficient access to financing and a high credit rating.

## CALGARY PARKING AUTHORITY

The maximum exposure to credit risk as at December 31 was:

	2018 \$	2017 \$
Cash and cash equivalents	17,208,882	58,353,299
Receivables	3,804,482	3,795,905
	<b>21,013,364</b>	<b>62,149,204</b>

### ii) Interest rate risk

The Authority's receivable, loan receivables and accounts payable and accrued liabilities are non-interest bearing. The Authority is subject to interest rate risk with respect to its investments. A one percent increase (decrease) in the interest rate of investments will increase (decrease) net income by \$3,168,770 (2017 – \$2,544,976). The Authority is not subject to interest rate risk with respect to its long-term debt because the rate is fixed over the terms of its maturity.

### iii) Liquidity and funding risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Authority's objective in managing liquidity risk is to maintain sufficient readily available cash balances in order to meet its liquidity requirements. The contractual obligations as at December 31, 2018 are as follows:

	Less than 3 months \$	3 months to 1 year \$	1-2 years \$	2-5 years \$	Total \$
Accounts payable and accrued liabilities	4,220,562	-	-	-	4,220,562
Accrued interest payable	2,837	-	-	-	2,837
Long term debt	-	510,275	535,470	277,570	1,323,315
Interest on long term debt	-	58,404	33,209	6,766	98,379
Retirement allowance benefit	-	841,185	-	-	841,185
Vacation and other benefits payable	-	700,913	-	-	700,913
<b>Total</b>	<b>4,223,399</b>	<b>2,110,777</b>	<b>568,679</b>	<b>284,336</b>	<b>7,187,191</b>

Funding risk is the risk that market conditions will impact the Authority's ability to raise capital under acceptable terms and conditions. Under current market conditions and its financial structure and relationship to the City, both liquidity and funding risk are assessed as low.

### iv) Currency risk

The Authority's functional currency is the Canadian dollar. There is low foreign exchange risk to the Authority, as an insignificant number and amount of transactions are conducted in foreign currency. The Authority does not engage in any hedging activities.

### v) Concentration of risk

The location of the Authority's parkades and surface lots are mainly concentrated in downtown Calgary and subject to fluctuations in the labour market, rental, office vacancy rates and potential future flood in this area.