Financial Statements

Calgary Parking Authority

December 31, 2013

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Calgary Parking Authority

We have audited the accompanying financial statements of Calgary Parking Authority, which comprise the statement of financial position as at December 31, 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Calgary Parking Authority as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants

March 27, 2014
Calgary, Alberta

Calgary Parking Authority

Statement of Financial Position

(In Canadian dollars)	**As at December 31, 2013 $**	As at December 31, 2012 $
ASSETS		
CURRENT		
Cash	**274,538**	286,959
Cash held with The City of Calgary [Note 8]	**55,842,935**	45,915,358
Accounts receivable	**2,236,581**	2,105,717
Prepaid expenses	**103,008**	48,381
Prepaid lease [Note 9]	**17,778**	17,778
	58,474,840	48,374,193
LONG-TERM		
Long-term receivable [Note 19]	**1,328,760**	1,328,760
Property and equipment [Note 10]	**444,271,259**	449,651,873
Intangible assets [Note 11]	**2,133,964**	2,235,958
Investment properties [Note 12]	**8,155,332**	8,285,417
Long-term investments [Note 13]	**53,785,669**	49,314,415
Prepaid lease [Note 9]	**1,093,326**	1,111,105
	510,768,310	511,927,528
	569,243,150	560,301,721
LIABILITIES		
CURRENT		
Accounts payable, accrued liabilities and provisions [Note 17, 19c, Note 21]	**7,273,692**	4,193,364
Accrued interest payable	**11,661**	13,982
Current portion of long-term debt [Note 14]	**1,154,051**	1,100,614
Deferred revenue [Note 3]	**2,280,256**	1,905,553
Employee benefits payable [Note 15]	**491,298**	531,030
	11,210,958	7,744,543
LONG-TERM		
Long-term debt [Note 14]	**4,333,401**	5,487,452
Cash-in-lieu deposits [Note 16]	**5,782,707**	5,218,688
	10,116,108	10,706,140
	21,327,066	18,450,683
EQUITY		
Retained earnings	**545,788,291**	540,262,131
Investment revaluation reserve	**2,127,793**	1,588,907
	547,916,084	541,851,038
	569,243,150	560,301,721

Commitments [Note 21]

The financial statements were approved by the Board on March 27, 2014 and were signed on its behalf.

Director ___________________________ Director __________________________

The accompanying notes are an integral part of these financial statements

Calgary Parking Authority

Statement of Comprehensive Income

(In Canadian dollars)	**For the year ended December 31, 2013 $**	For the year ended December 31, 2012 $
REVENUE		
Parking control [Note 19b]	**14,899,282**	15,172,872
Municipal vehicle impound lot	**8,817,764**	8,333,556
On-street parking	**15,332,217**	14,456,406
Parkades	**31,162,398**	31,882,152
Surface lots	**7,716,974**	7,033,371
Calgary Transit [Note 19d]	**113,212**	69,972
Insurance proceeds [Note 22]	**3,500,000**	-
Administrative and general	**141,785**	145,195
	81,683,632	77,093,524
EXPENSES		
Parking control [Note 19b]	**9,369,092**	9,351,563
Municipal vehicle impound lot	**6,897,517**	6,878,612
On street parking	**2,160,485**	2,233,007
Parkades	**12,610,238**	11,175,729
Surface lots	**2,748,494**	2,530,556
Amortization of prepaid lease	**17,778**	17,778
Residential permits	**84,217**	134,354
Calgary Transit [Note 19d]	**113,212**	69,972
Flood related expenses [Note 22]	**2,138,431**	-
Administration and general	**4,295,267**	3,487,036
Depreciation and amortization	**15,184,633**	15,742,986
	55,619,364	51,621,593
INCOME BEFORE THE FOLLOWING	**26,064,268**	25,471,931
Investment income [Note 13]	**2,095,793**	2,557,529
Debenture interest	**(302,714)**	(353,784)
Other interest income	**33,324**	32,320
Other interest expense	**(606)**	(929)
Gain (loss) on sale of property and equipment	**9,005**	(3,844)
Loss on impairment of property and equipment [Note 22]	**(552,335)**	-
NET INCOME	**27,346,735**	27,703,223
OTHER COMPREHENSIVE INCOME		
Unrealized gain on investments [Note 13]	**538,886**	415,652
TOTAL COMPREHENSIVE INCOME	**27,885,621**	28,118,875

The accompanying notes are an integral part of these financial statements

Calgary Parking Authority

Statement of Cash Flows

(In Canadian dollars)	**For the year Ended December 31, 2013 $**	For the year Ended December 31, 2012 $
OPERATING ACTIVITIES		
Net income	**27,346,735**	27,703,223
Non-cash items:		
Depreciation – Property and equipment [Note 10]	**15,031,904**	15,692,894
Depreciation – Intangible asset [Note 11]	**488,310**	517,468
Depreciation – Investment properties [Note 12]	**152,985**	156,346
Non-cash interest income	**(33,324)**	(32,320)
Accretion expense	**606**	929
Amortization of prepaid lease	**17,778**	17,778
(Gain) loss on sale of property and equipment	**(9,005)**	3,844
Loss on impairment of property and equipment	**552,335**	-
Settlement of provisions	**(9,460)**	(18,830)
Changes in non-cash working capital [Note 18]	**1,964,310**	621,002
	45,503,174	44,662,334
INVESTING ACTIVITIES		
Purchase of property and equipment	**(10,232,266)**	(2,087,082)
Purchase of intangible assets	**(386,316)**	(133,026)
Purchase of investment property	**(22,900)**	-
Proceeds from disposal of property	**70,969**	61,681
Changes in non-cash working capital [Note 18]	**1,272,035**	76,181
	(9,298,478)	(2,082,246)
FINANCING ACTIVITIES		
Long-term debt repayments	**(1,100,615)**	(1,049,652)
Contributions and cash-in-lieu deposits	**396,970**	981,720
Interest earned on cash-in-lieu deposits	**167,048**	232,968
Purchase of investments	**(3,932,368)**	(5,165,014)
Distributions to The City of Calgary [Note 19]	**(21,820,575)**	(24,088,043)
	(26,289,540)	(29,088,021)
Net increase in cash	**9,915,156**	13,492,067
Cash, beginning of year	**46,202,317**	32,710,250
Cash, end of year	**56,117,473**	46,202,317
Represented by:		
Cash	**274,538**	286,959
Cash held with The City of Calgary [Note 8]	**55,842,935**	45,915,358
	56,117,473	46,202,317
Supplementary information:		
Cash interest paid	**305,035**	355,997

The accompanying notes are an integral part of these financial statements

Calgary Parking Authority

Statement of Changes in Equity

For the year ended December 31, 2013

	Retained Earnings $	Investment Revaluation Reserve $	Total Equity $
BALANCE			
Beginning of year	**540,262,131**	**1,588,907**	**541,851,038**
Net income	**27,346,735**	**-**	**27,346,735**
Distributions to The City of Calgary [Note 19]	**(21,820,575)**	**-**	**(21,820,575)**
Total comprehensive income for the year [Note 13]	**-**	**538,886**	**538,886**
BALANCE, End of year	**545,788,291**	**2,127,793**	**547,916,084**

For the year ended December 31, 2012

	Retained Earnings $	Investment Revaluation Reserve $	Total Equity $
BALANCE			
Beginning of year	536,646,951	1,173,255	537,820,206
Net income	27,703,223	-	27,703,223
Distributions to The City of Calgary [Note 19]	(24,088,043)	-	(24,088,043)
Total comprehensive income for the year [Note 13]	-	415,652	415,652
BALANCE, End of year	540,262,131	1,588,907	541,851,038

The accompanying notes are an integral part of these financial statements

1. DESCRIPTION OF BUSINESS

Calgary Parking Authority (the "Authority") was established under By-Law No. 7343 of The City of Calgary 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 of Calgary and to report to and advise City Council on all matters related to or concerned with parking of motor vehicles in Calgary. The Authority is responsible for parking enforcement. Any net income is transferred to The City of Calgary on a periodic basis (Note 19). 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 is a municipal authority and as such is not subject to income tax. The Authority's head office is located at 620-9th Avenue S.W., Calgary, Alberta, T2P 1L5.

2. BASIS OF PREPARATION

Statement of compliance
The financial statements for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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.

Use of estimates and judgments
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in Note 4.

Functional and presentation currency
These financial statements are presented in Canadian dollars, which is also the Authority's functional currency.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenues consist of the parking revenues from owned and managed locations, parking tags and impound lots. 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 parking tags and impound lots is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Administration and general revenue consists of rental revenue and service fee revenue and is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other comprehensive income
Unrealized gain (loss) resulting from changes in long-term investment fair value is shown in other comprehensive income. Other comprehensive income items are shown separately on the statement of comprehensive income, are not closed to retained earnings and are shown under investment revaluation reserve in the statement of changes in equity. When the unrealized gain (loss) becomes realized, then the amounts will be closed to retained earnings.

Long-term investments
The Authority has two long-term investments, the Cash-in-Lieu Deposits (Notes 13 and 16) and the Parking Structure Replacement (Notes 13 and 20). Both the Cash-in-Lieu Deposits and the Parking Structure Replacement are invested by The City of Calgary in a long-term bond portfolio, called the Universe Portfolio.

Financial instruments
The Authority's financial instruments include cash, cash held with The City of Calgary, accounts receivable, long-term investments, accounts payable and accrued liabilities, accrued interest payable, long-term debt, employee benefits payable and provisions.

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 risks and rewards of ownership.

At initial recognition, financial instruments are classified into one of the following categories depending on the purpose for which the instrument was acquired: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities. All financial instruments are recognized initially at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities are recognized as expenses as incurred.

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

i. **Fair value through profit or loss ("FVTPL")**
FVTPL financial assets are financial assets typically acquired for resale prior to maturity, or that are designated as held-for-trading. They are measured at fair value at the statement of financial position date. Fair value fluctuations including interest earned, interest accrued, and gains and losses realized on disposal are included in the statement of comprehensive income in the period in which the changes arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

ii. Available-for-sale

Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and presented within equity in the investment revaluation reserve. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss.

iii. Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method. The fair value of trade receivables approximates their carrying values due to their short-term maturity.

iv. Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The fair value of accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. The long-term debt and associated interest payable are accounted for at amortized cost.

Classification

Cash	Held for trading (FVTPL)
Cash held with The City of Calgary	Held for trading (FVTPL)
Accounts receivables	Loans and receivables
Investments held for designated purposes	
Cash-in-Lieu deposits	Available-for-sale
Parking Structure Replacement	Available-for-sale
Accounts payable and accrued liabilities	Other financial liabilities
Accrued interest payable	Other financial liabilities
Long-term debt	Other financial liabilities
Employee benefits payable and provisions	Other financial liabilities

Fair value

Fair value represents the price that would be received to sell 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 held with The City of Calgary 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 is disclosed in Note 12, 13, 14, and 22. There have been no changes in valuation techniques for any of the Authority's fair value measurements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment
Property and equipment include owner-occupied land and buildings, lot improvements, vehicles, furnishings, equipment and other equipment used for the principal purpose of the Authority's operating activities, i.e. delivery of parking services.

Property and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred. Land is not depreciated.

Capital projects-in-progress are temporary capitalization of costs until the constructed asset is substantially complete at which point costs in the capital projects-in-progress account are classified to one or more of the asset categories. An asset is substantially complete when the structure or project is ready to commence activities for the purpose for which it was constructed (i.e. operational).

Depreciation is calculated on a straight-line basis to recognize the cost less estimated residual value over the estimated useful life of the assets significant components as follows:

Parking structures	3 – 50 years
Lot improvements	5 – 25 years
System and equipment	3 – 10 years
Machinery	5 – 10 years
Furniture and fixtures	5 – 10 years
Vehicles	3 – 5 years

Investment properties
Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, rather than for the principal purpose of the Authority's operating activities. Investment properties are accounted for using the cost method. The depreciation policies for investment properties are consistent with those described for property and equipment. The estimated useful lives of the significant components of investment properties are 25 to 50 years.

Any gain or loss arising from the sale of an investment property is immediately recognized in profit or loss. Rental income and operating expenses from investment properties are reported within Surface Lots revenue and expenses, respectively, in the statement of comprehensive income.

Componentization
Componentization has a significant impact on recognition and de-recognition of assets as well as depreciation rates and impairment testing. Property and equipment and investment properties components are assessed on an individual basis for significant components.

Intangible assets
Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Authority's intangible assets consist of computer software with finite useful lives. The estimated useful life of computer software is 3 to 10 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangibles

The purpose of the impairment review is to ensure that tangible and intangible assets are not carried at an amount greater than their recoverable amount. This recoverable amount is compared with the carrying value of the asset to determine if the asset is impaired. If the carrying value is higher, the difference is written off as an impairment adjustment in the statement of comprehensive income.

Tangible and intangible assets were assessed for impairment through internal management review. Based on the following assessments for 2013, there were no indicators of impairment;

- The market value of these assets has not declined significantly more than would be expected as a result of the passage of time or normal use;
- There was no increase in market rates that would materially affect the discount rate used in calculating the recoverable amount of these assets;
- There were no significant changes in the use or expected use of these assets that had or is expected to have an adverse effect on the Authority;
- There is no evidence that these assets are obsolete or physically damaged;
- There is no indicator that the economic performance of these assets is or will be worse than expected.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. When an account receivable is uncollectible, it is written off.

Non-financial assets

At the end of each reporting period, the Authority reviews the carrying amounts of its long lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Post retirement benefits payable

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 comprehensive income. Any accrued contributions payable are recorded as a liability while prepaid contributions are recorded as a prepaid expense.

Cash-in-lieu deposits

Cash-in-lieu deposits are the payments that developers make in place of providing a required parking stall within an office/commercial development in Downtown Calgary. Cash-in-lieu deposits are received by The City of Calgary upon release of the Development Permit which is required to commence construction. There may be refunds of Cash-in-lieu deposits if plans are revised requiring less parking. Cash-in-lieu deposits are recorded by the Authority and are non-refundable once the development completion permit (when all requirements of occupancy are met) is issued.

Cash-in-lieu deposits, including accumulated interest, may be used for the financing of additional parking facilities (including purchase of land) or enhancement of parking initiatives. Interest earned attributed to non-refundable deposits is recorded as an increase in non-refundable deposits held.

Deferred revenue

Monthly parking and cellular phone account revenues received in advance of the service provided are recorded as deferred revenue.

Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Authority expects some or the entire obligation to be reimbursed, the expense relating to any obligation is presented in the statement of comprehensive income net of the reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. Where discounting is used, the increase in the obligation due to the passage of time is recognized as a finance cost in the statement of comprehensive income.

4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

The preparation of the financial statements in conformity with IFRS 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. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES (Continued)

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Useful lives of property and equipment and investment properties

The Authority estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Authority is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Fair value of financial instruments

The estimated fair values of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

5. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND RECENT ACCOUNTING PRONOUNCEMENTS.

Adoption of new and revised International Financial Reporting Standards

The Authority has reviewed the impact of the new and revised accounting pronouncements and has determined these standards did not have a material impact upon adoption on January 1, 2013. The standards that are applicable to the Authority are as follows:

IFRS 7 – 'Financial Instruments: Disclosures' was amended by the IASB in December 2011 and is effective for annual periods beginning on or after January 1, 2013 including interim periods. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The adoption of this amendment did not have an impact on the Authority's financial position or disclosures.

IFRS 11 – 'Joint Arrangements' was issued in May 2011 and supersedes existing International Accounting Standard ("IAS") 31, 'Joint Ventures' effective for annual periods beginning on or after January 1, 2013. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The adoption of this standard did not have an impact on the Authority's financial statements as it does not have any joint arrangements.

IFRS 12 – 'Disclosure of Interests in Other Entities' was issued in May 2011 and is effective for annual periods beginning on or after January 1, 2013. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, and associates and unconsolidated structured entities. The required disclosures aim to provide information that enables users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of this standard did not have an impact on the Authority's financial position or performance.

IFRS 13 – 'Fair Value Measurement' was issued in May 2011 and is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 is set out in a single IFRS framework for measuring fair value. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on earning or other comprehensive income. The amendments did not have an impact on the Authority's financial position or performance.

IAS 1 – 'Presentation of financial statements' was amended by the IASB in June 2011 and is effective for annual periods beginning on or after July 1, 2012. IAS 1 should be applied retrospectively. The amendments require that an entity present separately the items of other comprehensive income in two categories: items that will be reclassified into profit or loss; and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments did not have an impact on the Authority's financial position or presentation.

Recent Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning January 1, 2014 and later. The standards impacted that are applicable to the Authority are as follows:

IAS 36 – 'Financial Instruments: Recognition and Measurement' was amended by the IASB in May 2013 and is effective for annual periods beginning on or after January 1, 2014. The overall effect to the amendments to IAS 36 is to reduce the circumstances in which the recoverable amount of assets or CGUs is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The Authority is currently assessing the impact of these amendments.

The IASB has undertaken a three-phase project to replace IAS 39 'Financial Instruments: Recognition and Measurement' with IFRS 9 'Financial Instruments'. In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. In November 2013, the IASB issued the third phase of IFRS 9 which details the new general hedge accounting model. Hedge accounting remains optional and the new model is intended to allow reporters to better reflect risk management activities in the financial statements and provide more opportunities to apply hedge accounting. In July 2013, the IASB deferred the mandatory effective date of IFRS 9 and has left this date open pending the finalization of the impairment and classification and measurement requirements. IFRS 9 is still available for early adoption. The full impact of the standard on the Authority's financial statements will not be known until the project is complete.

6. MANAGEMENT OF CAPITAL

The Authority's objectives when managing capital are to:

i. maintain a flexible capital structure which optimizes the cost of capital at acceptable risk;
ii. monitor facilities as part of the Authority's asset management program; and
iii. review long-term objectives such as land and parking facility development by the sub-committee of the Authority's Board.

In the management of capital, the Authority includes property and equipment, long-term debt, long-term investment properties and long-term investments totalling $505,923,176 (2012 – $509,268,135) in the definition of capital.

The Authority monitors capital by: (i) a capital plan and budget that ties to the three-year business plan, approved by the Authority's Board of Directors and ultimately approved by City Council; (ii) cash flow analysis of planned capital expenditures against sources of funding like debt and retained earnings; (iii) leverage debt (Note 14), following the general policy of The City of Calgary not to exceed debt limit of two times revenue and debt servicing limit of 0.35 times revenue. The Authority is in compliance with the aforementioned covenants.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the year ended December 31, 2013.

7. FINANCIAL INSTRUMENTS AND RELATED RISKS

Risk management

For cash, cash held with The City of Calgary, accounts receivables, accounts payable and accrued liabilities, accrued interest payable and employee benefits payable, 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:

a) 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 Tag 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 of Calgary is limited because The City of Calgary is a large municipal body with sufficient access to financing and a high credit rating.

The maximum exposure to credit risk as at December 31:

	2013	2012
	$	$
Cash	**274,538**	286,959
Cash held with The City of Calgary	**55,842,935**	45,915,358
Accounts receivable	**2,236,581**	2,105,717
Long-term receivable	**1,328,760**	1,328,760
	59,682,814	49,636,794

b) Interest rate risk

The Authority's accounts receivable and accounts payable and accrued liabilities are non-interest bearing. The Authority is subject to interest rate risk with respect to its long-term investments. A one percent increase (decrease) in the interest rate of long-term investments will increase (decrease) net income by $518,160 (2012 – $477,760). 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.

c) 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, 2013 are as follows:

	Less than 3 months $	3 months to 1 year $	1-2 years $	2-5 years $	5+ years $	Total $
Accounts payable, accrued liabilities and provisions	7,272,698	994	-	-	-	7,273,692
Accrued interest payable	11,661	-	-	-	-	11,661
Long term debt	-	1,154,051	1,210,083	850,350	2,272,968	5,487,452
Employee benefits payable	-	491,298	-	-	-	491,298
Total	7,285,353	1,646,343	1,210,083	850,350	2,272,968	13,265,097

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 of Calgary, both liquidity and funding risk are assessed as low.

d) 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.

e) 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 and office vacancy rates in this area.

8. CASH HELD WITH THE CITY OF CALGARY

The amount held with The City of Calgary consists of cash balances held by The City of Calgary on the Authority's behalf in the amount of $55,842,935 (2012 – $45,915,358). The Authority utilizes this cash in its day-to-day operations.

9. LEASES

Prepaid lease

In 1977, the Authority commenced a 99 year lease on the land site of City Centre (formerly Gulf Canada) Parkade. The minimum lease payments are being amortized on a straight-line basis over the term of the lease. The minimum lease payments as at December 31, 2013 and 2012 are as follows:

	2013	2012
	$	$
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	**1,004,436**	1,022,215
Total	**1,111,104**	1,128,883

Operating leases as lessor

The Authority is the lessor in a number of operating leases. Investment properties are occupied under corporate tenant agreements with original lease terms between 5 and 10 years. During 2013 and 2012 the Authority had five tenants who occupied two of the Authority's three investment properties on a full time basis. The Authority also entered into long-term parking and monthly parking agreements. The table below does not include future lease payments from long term and monthly parking agreements as these agreements can be terminated with usually 30 day notice from the lessee. The minimum future lease payments under non-cancellable operating leases as at December 31, 2013 and 2012 are as follows:

	2013	2012
	$	$
Not later than one year	**644,769**	644,769
Later than one year and not later than five years	**1,189,269**	1,739,733
Later than five years	**282,912**	377,216
Total	**2,116,950**	2,761,718

Payments received from the long-term parking and monthly parking agreements are $21,535,759 (2012 – $22,017,226) and are included in the parkades and surface lots line items in the statement of comprehensive income.

10. PROPERTY AND EQUIPMENT

	Parking structures $	Lot improvements $	System and equipment $	Furniture and fixtures $	Machinery $	Vehicles $	Land $	Total $
Cost								
As at January 1, 2012	398,177,571	4,845,195	24,809,303	571,138	437,275	1,780,154	71,289,108	501,909,744
Additions	1,094,241	-	596,417	9,958	78,678	307,788	-	2,087,082
Disposals	-	-	(383,161)	-	-	(125,612)	-	(508,773)
As at December 31, 2012	399,271,812	4,845,195	25,022,559	581,096	515,953	1,962,330	71,289,108	503,488,053
Additions	8,068,959	336,873	1,420,028	24,654	-	381,752	-	10,232,266
Impairment-Flood	(1,278,170)		(471,564)					(1,749,734)
Disposals	-	-	(67,744)	-	(34,154)	(150,050)	-	(251,948)
As at December 31, 2013	406,062,601	5,182,068	25,903,279	605,750	481,799	2,194,032	71,289,108	511,718,637
Accumulated depreciation								
As at January 1, 2012	22,845,864	3,646,101	9,833,303	502,308	436,544	1,354,734	-	38,618,854
Depreciation	11,764,029	264,916	3,282,670	37,666	79,409	264,204	-	15,692,894
Disposals	-	-	(350,077)	-	-	(125,490)	-	(475,567)
As at December 31, 2012	34,609,893	3,911,017	12,765,896	539,974	515,953	1,493,448	-	53,836,181
Depreciation	11,361,600	262,155	3,157,851	26,664	-	223,634	-	15,031,904
Impairment-Flood	(920,201)		(277,198)					(1,197,399)
Disposals	-	-	(39,104)	-	(34,154)	(150,050)	-	(223,308)
As at December 31, 2013	45,051,292	4,173,172	15,607,445	566,638	481,799	1,567,032	-	67,447,378
Net book value								
As at December 31, 2012	364,661,919	934,178	12,256,663	41,122	-	468,882	71,289,108	449,651,872
As at December 31, 2013	361,011,309	1,008,896	10,295,834	39,112	-	627,000	71,289,108	444,271,259

Title to the Authority's property and equipment belongs to The City of Calgary (stewardship on land titles shows the Authority). The Authority has the cost of the property and equipment on its financial statements because the Authority paid for these assets and manages them to generate revenue. Capital projects-in-progress are depreciated when the asset is available for use. Total depreciation expense for the year is $15,031,904 (2012 – $15,692,894), which includes depreciation expense of $488,567 (2012 – $623,722) related to Parking Control and the Municipal Vehicle Impound Lot. The net loss on impairment of property and equipment due to the Flood was $552,335 (2012 – nil) (Note 22).

11. INTANGIBLE ASSETS

	Computer software $
Cost	
As at January 1, 2012	4,995,393
Additions	133,026
As at December 31, 2012	5,128,419
Additions	386,316
As at December 31, 2013	5,514,735
Accumulated depreciation	
As at January 1, 2012	2,374,993
Depreciation	517,468
As at December 31, 2012	2,892,461
Depreciation	488,310
As at December 31, 2013	3,380,771
Net book value	
As at December 31, 2012	2,235,958
As at December 31, 2013	2,133,964

12. INVESTMENT PROPERTIES

	Land $	Building $	Total $
Cost			
As at January 1, 2012	5,651,000	3,109,000	8,760,000
Additions	-	-	-
Disposals	-	-	-
As at December 31, 2012	5,651,000	3,109,000	8,760,000
Additions	-	22,900	22,900
Disposals	-	-	-
As at December 31, 2013	5,651,000	3,131,900	8,782,900
Accumulated depreciation			
As at January 1, 2012	-	318,237	318,237
Depreciation	-	156,346	156,346
As at December 31, 2012	-	474,583	474,583
Depreciation	-	152,985	152,985
As at December 31, 2013	-	627,568	627,568
Net book value			
As at December 31, 2012	5,651,000	2,634,417	8,285,417
As at December 31, 2013	5,651,000	2,504,332	8,155,332

12. INVESTMENT PROPERTY (Continued)

	2013 $	2012 $
Rental income derived from investment properties	**640,341**	531,351
Direct operating expenses (including repair and maintenance) generating rental income	**(557,143)**	(795,729)
Net gain (loss) arising from investment properties	**83,198**	(264,378)

The fair value of investment properties at December 31, 2013 was $9,300,000 (2012 - $9,300,000). The investment property is classified at Level 2 in the fair value hierarchy. The valuation technique used was based on relevant market sales information and analysis of property income.

13. LONG-TERM INVESTMENTS

Investments are held for the following designated purposes:

	December 31, 2013 $	December 31, 2012 $
Cash-in-lieu deposits (CIL) [Note 16]	**5,782,707**	5,218,688
Parking structure replacement (PSR)	**45,875,169**	42,506,820
	51,657,876	47,725,508
Unrealized gain on the PSR & CIL	**2,127,793**	1,588,907
	53,785,669	49,314,415

Unrealized gain (loss) continuity schedule:

	2013 $	2012 $
Beginning balance	**1,588,907**	1,173,255
Fair value (PSR & CIL)	**52,354,886**	48,191,652
Net, at par, not invested in bonds	**(158,124)**	(50,492)
	52,196,762	48,141,160
Book value (PSR & CIL)	**51,657,876**	47,725,508
Unrealized gain	**538,886**	415,652
Ending balance	**2,127,793**	1,588,907

The investments consist of long-term bonds with a market value of $52,196,762 (December 31, 2012 – $48,141,160). The unrealized gain of $538,886 (2012 – $415,652) on the Parking Structure Replacement (“PSR”) and Cash-in-Lieu Deposits (“CIL”) is recognized in other comprehensive income until realized, at which time the cumulative gain or loss recognized in net assets is recognized as revenue in the statement of comprehensive income. These investments are classified at Level 2 in the fair value hierarchy because the amounts invested are not directly tied to any specific security. 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 of Calgary 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.

13. LONG-TERM INVESTMENTS (Continued)

Parking Structure Replacement 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 $
Bonds – December 31, 2013	-	**46,498,749**	-	**46,498,749**
Bonds – December 31, 2012	-	42,922,990	-	42,922,990

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

Fair value measurements using Level 2 inputs

	2013 $	2012 $
Beginning balance at January 1	**42,922,990**	38,754,829
Gain included in other comprehensive income	**110,759**	43,161
Purchases	**3,465,000**	4,125,000
Ending balance at December 31	**46,498,749**	42,922,990

Cash-in-Lieu Hierarchy

The following table illustrates the classification of financial statement of 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 $
Bonds – December 31, 2013	-	**5,854,021**	-	**5,854,021**
Bonds – December 31, 2012	-	5,263,883	-	5,263,883

The following table reconciles the Calgary Parking Authority Level 2 Cash-in-Lieu fair value measurements as follows:

Fair value measurements using Level 2 inputs

	2013 $	2012 $
Beginning balance at January 1	**5,263,883**	4,027,550
Gain included in other comprehensive income	**15,138**	11,333
Purchases	**575,000**	1,225,000
Ending balance at December 31	**5,854,021**	5,263,883

14. LONG-TERM DEBT

Debenture interest was $302,714 (2012: $353,784). Debenture principal repayment was $1,100,615 (2012: $1,049,652).

The Authority obtained long-term, unsecured debenture financing through The City of Calgary from the Alberta Capital Finance Authority on December 15, 2006, with the following maturity dates and interest rates:

Maturity Date	Rate (%)	Available	Issued
10 year term to June 15, 2016	4.7549	6,600,000	1,951,090
15 year term to June 15, 2021	4.8780	6,000,000	3,536,362
		12,600,000	5,487,452

Debenture repayments are as follows:

	Principal $	Interest $	Total $
2014	1,154,051	251,598	1,405,649
2015	1,210,083	195,566	1,405,649
2016	850,350	136,814	987,164
2017	463,386	105,293	568,679
Thereafter	1,809,582	180,795	1,990,377
	5,487,452	870,066	6,357,518

The fair value of these debentures is $5,811,163 (December 31, 2012 – $7,187,372). This fair value 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.

	Rate %	Book Value $	Fair Value $
December 31, 2013	2.931	6,357,518	5,811,163
December 31, 2012	2.229	7,763,162	7,187,372

15. EMPLOYEE BENEFITS PAYABLE

The Local Authorities Pension Plan ("LAPP") is a defined benefit plan. Sufficient information is not available to enable the Authority to account for the plan as a defined benefit plan because the Alberta Pensions Services Corporation, as the administrator of the LAPP, has determined due to the complexity of the calculations, it will not be able to provide the necessary information to meet the Authority's requirements under IAS 19 'Employee Benefits'. In accordance with this standard, when sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, the Authority has accounted for the plan as if it were a defined contribution plan.

The pension plan has been in a deficit situation since 2001. The LAPP is in a deficit position of $(4,977,303,000) in 2012, an increase from $(4,639,390,000) in 2011. The investment return in 2012 was 10.8% (6.7% – 2011) but plan liabilities continue to grow. The LAPP financial statements use best estimate assumptions and show the market value position of the Plan at the end of the year. The assumptions used for funding purposes include a margin for adverse deviation and the Authority also smoothes the gains or losses over a three-year period to reduce major shifts in contribution rates.

Employee benefits payable represent future obligations of the Authority to its employees for benefits earned but not taken. These include current and banked vacation, overtime and in-lieu days totalling $491,298 (December 31, 2012 – $531,030).

All employees of the Authority are members of the LAPP which is a multi-employer plan covered by the Alberta Public Sector Pensions Plan Act.

The Authority is required to make current service contributions to the LAPP of 10.43% (2012 – 9.91%) of pensionable payroll up to the yearly maximum pensionable earnings ("YMPE") and 14.47% (2012 – 13.74%) thereafter. Employees of the Authority are required to make current service contributions of 9.43% (2012 – 8.91%) of pensionable salary up to YMPE, and 13.47% (2012 – 12.74%) 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 2013 were $549,768 (2012 – $499,561). Total current service contributions by the employees of the Authority to the Local Authorities Pension Plan in 2013 were $502,408 (2012 – $453,940)

16. CASH-IN-LIEU DEPOSITS

			December 31, 2013	December 31, 2012
	Principal $	**Interest $**	**Total $**	Total $
Opening balance	**4,754,222**	**464,466**	**5,218,688**	4,004,000
Interest earned	**-**	**167,049**	**167,049**	232,968
Contribution and Cash-in-lieu deposit	**396,970**	**-**	**396,970**	981,720
Closing balance	**5,151,192**	**631,515**	**5,782,707**	5,218,688

These deposits represent contributions for 381 (December 31, 2012 – 371) stalls.

17. PROVISIONS

	2013 **$**	2012 $
Opening balance	**9,848**	27,749
Liabilities incurred	**-**	-
Settlement of liability	**(9,460)**	(18,830)
Accretion	**606**	929
Closing balance	**994**	9,848

The Authority has an obligation to pay future medical insurance premiums on behalf of former employees. Premiums are paid monthly until the employee reaches the age of 65. The benefit was offered to employees when their employment was terminated and is not provided for in the employment contracts of existing employees.

18. CHANGES IN NON-CASH WORKING CAPITAL

	2013 **$**	2012 $
Accounts receivable	**(130,864)**	354,847
Prepaid expenses	**(54,627)**	6,074
Accounts payable	**3,089,186**	91,849
Accrued liabilities	**(2,321)**	(2,214)
Deferred revenue	**374,703**	228,370
Employee benefits payable	**(39,732)**	18,257
	3,236,345	697,183

Changes to non-cash working capital relating to operating activities are $1,964,310 (2012 – $621,002), and changes relating to capital accruals are $1,272,035 (2012 – $76,181).

19. RELATED PARTY TRANSACTIONS

Distributions to The City of Calgary were as follows:

	2013 **$**	2012 $
Transfer to The City of Calgary [a]	**14,021,000**	**16,455,000**
Net Income from Parking Control [b]	**5,555,190**	**5,835,244**
Other contributions [c]	**2,244,385**	**1,797,799**
	21,820,575	**24,088,043**

a) 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 of Calgary. The return policy is based on the financial figures prepared under the basis of Public Sector Accounting Standards (“PSAS”). The Authority will return to The City of Calgary 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.

b) The net income from Parking Control consists of revenue of $14,899,282 (2012 – $15,172,872) and gain on sale of property and equipment of $25,000 (2012 – $13,935) after expenditures of $9,369,092 (2012 – $9,351,563).

19. RELATED PARTY TRANSACTIONS (Continued)

Distributions to The City of Calgary were as follows: (continued)

c) Other contributions include the transfer of net income pertaining to seven parking facilities as a result of special agreements. In addition to the transfer to The City of Calgary, the Authority conducts a number of transactions with The City of Calgary, such as utilities, legal, fleet maintenance, and other various expenses all in the normal course of operations. As well, the Authority generates revenue from City staff parking. The City of Calgary manages and holds all of the Authority's investments and title to the Authority's property and equipment rests with The City of Calgary.

Related party transactions with The City of Calgary departments or The City of Calgary affiliated organizations in the normal course of business were as follows:

	2013 **$**	2012 $
Related party expenses	**13,784,684**	12,026,968
Related party revenue	**6,847,771**	6,224,891
Related party accounts receivable	**1,328,760**	1,328,760
Related party accounts payable	**977,465**	857,375

d) In March of 2009, Calgary Transit contracted the Authority to manage pay for parking functions at Calgary Transit Park 'N' Ride lots. This contract ended on April 30, 2011. Only minimal security operations were continued at Calgary Transit Park 'N' Ride lots at their request. Total expenditures incurred and the related recovery for 2013 relating to this security was $113,212 (2012 – $69,972).

Related party transactions are measured at fair value which is equal to the amounts agreed to by the related parties.

e) Transfer of Surface Lots to Calgary Municipal Land Corporation ("CMLC")
Council approved report LAS2007-98 Proposed Disposition of Land to the CMLC which included three surface lots that CPA owns (Lots 9, 19, and 29 in East Village). Legal land title transferred in 2011 and the transactions were recorded at book value of $1,328,760. Fair value of these three surface lots was assessed at $25,859,000.

f) Compensation of key management
The remuneration of directors and other members of key management personnel during the year were as follows:

	2013 **$**	2012 $
Short-term employee benefits	**275,880**	256,644
	275,880	256,644

20. PARKING STRUCTURE REPLACEMENT

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 approximately $2 million plus interest earned, the total balance of which has been invested in long-term investments (Note 13).

	2013 $	2012 $
Opening balance	**42,506,820**	**38,556,493**
Contribution, including interest	**3,368,349**	**3,950,327**
Closing balance	**45,875,169**	**42,506,820**

21. COMMITMENTS

a) Capital commitments of $1,840,510 (2012 – $588,000) are not reflected in the financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2013, on major projects and estimated obligations under other various agreements. These capital commitments were 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 of Calgary 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 has a commitment under a signed letter for software upgrades and hosting of the web office for the ParkPlus pay machines. The contract started January 1, 2010 for 5 years with cost of living adjustments on January 1st of each year. Charges in 2013 were $218,325 (2012 – $205,550).

d) The Authority manages City-owned lots on behalf of The City of Calgary to generate parking revenue and is committed to remitting a percentage of that revenue back to The City of Calgary as per various negotiated agreements.

e) A Master Purchase and Sale Agreement ("the Agreement") between The City of Calgary and a developer was signed November 15, 2011 for the Kensington/Anthill property located at 148 – 10 Street N.W. Under Article II of the Agreement, The City of Calgary agrees to transfer the land owned by CPA ("CPA Land") to the developer on the First Closing Date as consideration to purchase 35 parking stalls ("CPA Parking Stalls") from the developer on the same land at the completion of the construction project; this will represent the Second Closing Date. Even though the Agreement has been signed by all parties, the recognition of the long-term receivable will not occur until all three conditions of document approval milestones have been met as outlined in "Schedule D" of the Agreement. The three milestones are:

- First Closing Date is delivery of the Letter of Credit for the market value of the land appraised at $2,425,000;
- Second Closing Date is approval by The City of Calgary to Condominium By-Laws; and
- Third Closing Date is approval by The City of Calgary to Condominium Plan.

These three milestones are still outstanding as at December 31, 2013.

The Kensington/Anthill property is not reclassified as 'held for sale' as at December 31, 2013; this property is still reflected as the Calgary Parking Authority's property, plant and equipment. There are terms and conditions under the Master Purchase and Sale Agreement that must be satisfied before the sale takes place. The development permit was approved on January 22, 2014 subsequent to December 31, 2013.

22. SIGNIFICANT EVENT

In June of 2013, the Authority was impacted by a flood event in Calgary, which mainly impacted Civic Plaza Parkade, which suffered extensive property damage and was non-operational until December 1, 2013. There were some minor property damage losses to McDougall Parkade and a few surface lots. Revenue was impacted due to the inaccessibility into the downtown area and the lack of enforcement for a few weeks during that timeframe, as well as Civic Plaza Parkade being offline.

These financial statements reflect the loss of assets and equipment of the Authority due to the flood of $552,335. As a result, the impacted property and equipment was written down to a fair value of nil. The fair value measurement is classified as Level 3 as it was based on an independent engineer's assessment report of the damage incurred.

The financial statements also include the insurance proceeds received during the year of $3.5 million. Subsequent to December 31, 2013, insurance proceeds of $3.0 million were approved and were received on February 21 ($1.5 million) and February 24, 2014 ($1.5 million) and have not been reflected in these financial statements. Additional proceeds are expected to be received throughout 2014.