Toronto Parking Authority

2015 year-end report
to the Board of Directors
June 9, 2016

Members of the Board of Directors
Toronto Parking Authority
33 Queen Street East
Toronto ON M5C 1R5

Dear Members of the Board of Directors:

We have substantially completed our audit of the financial statements of Toronto Parking Authority (the organization or TPA) prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended December 31, 2015. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor’s report is included in Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process.

We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of TPA who have assisted us in carrying out our work, and we look forward to our meeting on June 10, 2016. If you have any questions or concerns prior to the Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

Terri McKinnon
Partner
Assurance

c.c.: Lorne Persiko, President
Marie Casista, VP Real Estate, Development & Marketing
# Communications to the Audit Committee

<table>
<thead>
<tr>
<th>Key matters for discussion</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Status of the audit</td>
<td>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements for the year ended December 31, 2015. Outstanding items at time of mailing include the following which will need to be completed / received prior to issuance of our opinion:</td>
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<td>- Receipt of outstanding legal confirmations</td>
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<td></td>
<td>- Receipt of signed management representation letter</td>
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<td>- Completion of subsequent events procedures</td>
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<td></td>
<td>- Approval of the financial statements by the Board of Directors</td>
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<tr>
<td>Client service team</td>
<td>Terri McKinnon is your engagement leader and Catalin Barna is your engagement manager.</td>
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<tr>
<td>Service deliverables</td>
<td>We provide an audit of TPA’s financial statements as of December 31, 2015 and for the year then ended prepared in accordance with IFRS. Our engagement letter with the City of Toronto dated November 30, 2015 sets out the terms and conditions for the audit and outlines the responsibilities of the auditors, management and those charged with governance.</td>
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<tr>
<td>Audit approach</td>
<td>Our audit approach included a mixture of tests of internal controls and substantive testing. There were no significant changes to our audit approach compared to the prior year. Significant risks are risks of material misstatement that we think need special audit consideration. We identified significant audit risks based on our discussions with management and knowledge of the organization and have addressed them as follows.</td>
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<tr>
<td>Significant accounting, auditing and reporting matters discussed with management</td>
<td></td>
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<tr>
<td>Risk of management override of controls</td>
<td>Canadian auditing standards requires the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement. We obtained an understanding of TPA’s financial reporting process and made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity related to the processing of journal entries and other adjustments. There were no issues noted. Our audit procedures also included an element of unpredictability. In the current year we tested the existence of a sample of vendors used by TPA. No issues were noted.</td>
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</table>
## Key matters for discussion

<table>
<thead>
<tr>
<th>Comments</th>
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<tbody>
<tr>
<td>We also considered the reasonability and consistency of material management estimates, including whether there was any indication of bias. No issues or indications of bias were noted.</td>
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</table>

### Revenue recognition

The risk of fraud in revenue recognition is a significant risk for our clients.

In particular, there is a risk in respect of off-street parking revenues due to the significant amount of cash that is collected from these operations. To address this risk, we tested internal controls surrounding the cash collections and reconciliations which are performed on a daily basis. We have tested a sample of these reconciliations and ensured they were complete and accurately recorded in the general ledger.

In respect of on-street parking revenues, we tested internal controls over the reconciliation of the cash collected by the security company (Inkas) and the amounts deposited by TPA.

For the remaining revenue streams we selected a sample of transactions and agreed to supporting documentation. Our audit procedures addressed also the identification and elimination of the transactions for the parking lots managed for TTC and TCHC.

There were no exceptions were noted as a result of our testing.

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### Materiality

Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements.

We set overall materiality at $5,665,000, which is calculated based on 10% of net income. We report unadjusted and adjusted items over $566,000 to the Board of Directors. See Appendix B for details.

### Fraud and illegal acts

No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures. We wish to confirm that the Audit Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.

### Internal controls recommendations

No significant internal control recommendations were identified as a result of our audit.
| Subsequent events | No subsequent events which would impact the financial statements other than those disclosed have come to our attention.

We would like to confirm that the Board of Directors is not aware of any other subsequent events that might affect the financial statements. |
| Significant difficulties or disagreements that occurred during the audit | No difficulties or disagreements occurred while performing our audit that required the attention of the Board of Directors. |
| Management’s representations | We are required to inform you of the representations we are requesting from management.

Management’s representation letter outlines the responsibilities of the management for the fair presentation of the financial statement in accordance with the relevant financial reporting framework. |

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.
Appendix A: Draft auditor’s report
June 13, 2016

Independent Auditor’s Report

To the Board of Director of
Toronto Parking Authority

We have audited the accompanying financial statements of Toronto Parking Authority, which comprise the statement of financial position as at December 31, 2015 and the statement of income and comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Parking Authority as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants
Appendix B: Summary of unadjusted and adjusted items

a. Unadjusted items

As a result of our audit, we noted the following item with an impact on the balance sheet and statement of net income. This item was noted in prior years and remains unadjusted by TPA for fiscal 2015.

<table>
<thead>
<tr>
<th>Description</th>
<th>Assets at December 31, 2015</th>
<th>Liabilities at December 31, 2015</th>
<th>Opening equity as at December 31, 2015</th>
<th>Net income for year ended December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences in calculation of net receivable amount and estimated fair value and residual values related to calculation of the finance lease receivable</td>
<td>($1,625,860)</td>
<td>$ -</td>
<td>$1,584,030</td>
<td>$41,830</td>
</tr>
<tr>
<td>Total</td>
<td>($1,625,860)</td>
<td>$ -</td>
<td>$1,584,030</td>
<td>$41,830</td>
</tr>
</tbody>
</table>

As a result of our audit, we conclude that the above unadjusted item is immaterial to the financial statements taken as a whole.

b. Adjusted items

There were no adjusted audit differences identified during the audit.